PIMCO

Your Global Investment Authority

PIMCO Variable Insurance Trust

Annual Report

December 31, 2013

PIMCO Total Return Portfolio

Share Class

- Administrative

A company of Allianz

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This material is authorized for use only when preceded or accompanied by the current PIMCO Variable Insurance Trust (the "Trust") prospectus for the Portfolio. (The variable product prospectus may be obtained by contacting your Investment Consultant.)

Dear PIMCO Variable Insurance Trust Shareholder,

We are pleased to provide you with the Annual Report for the PIMCO Variable Insurance Trust covering the twelve-month reporting period ended December 31, 2013. On the following pages please find specific details as to the Portfolio's investment performance and a discussion of the factors that affected performance.

The past twelve months were marked by ongoing periods of heightened bond market volatility brought on by uncertainty around central bank monetary and fiscal policy, geopolitical concerns, and a slower than hoped for rebound in the global economy. Following a particularly bumpy third quarter, however, all financial markets completed the year along a relatively smoother path. Federal Reserve ("Fed") Chairman Ben Bernanke laid the groundwork in September, when he clarified the Fed's commitment to maintain its quantitative easing ("QE") bond purchase program of U.S. Treasuries and mortgages, while maintaining the Federal Funds Rate within a zero-bound range. The nomination of Janet Yellen to the Chairmanship further helped to reassure investors that the Fed would be committed to the continuation of their accommodative policies.

As investors were made particularly aware, beginning in mid-May conditions in financial markets deteriorated rapidly as markets reacted to signals by the Fed that it might begin to slow the pace of its asset purchases. This shift in tone fueled a broad-based sell-off within fixed income assets throughout the summer, undermining market liquidity and sending yields higher across the risk spectrum.

By mid-September, however, the Fed announced its intent to delay any tapering until more convincing indicators of economic growth become apparent and the U.S. job market improves. The "no taper" announcement surprised most investors, resulting in a decline in bond yields (with prices therefore higher) and a rally across most equity markets. The Fed also maintained the Federal Funds Rate within a narrow range of zero to 25 basis points. Into October, investors were once again kept on edge by the uncertain fiscal policy and political landscape—namely the partial shutdown of the U.S. government that began during the first week of October, the ongoing debt ceiling negotiations between the White House and Congress, and confirmation proceedings for the next Fed Chairman. Investors were relieved by the last-minute deal announced on October 17 that reached an agreement to reopen the U.S. government and raise the debt ceiling.

In November, relative calm prevailed across most fixed income markets, and equity markets continued to rally. The European Central Bank ("ECB") reduced their main policy rate (or the interest rate at which it lends money to banks) by 25 basis points to 0.25%, likely due to their concern over lower than expected inflation and a weak global growth outlook. The Bank of England ("BOE") unanimously voted to leave its main policy rate unchanged amid a pickup in economic growth and expectations that this would lead to an eventual decline in the U.K. unemployment rate.

Towards the latter part of December, the Fed announced that beginning in January 2014 it intends to gradually exit its bond-buying program, by reducing it from $85 billion to $75 billion spread equally across mortgage and U.S. Treasury purchases. As expected, in order to anchor the front-end of the yield curve, the Federal Open Market Committee ("FOMC") provided even greater assurances that the policy rate would remain near a zero-bound range until signs of sustainable growth are more broadly evident in the U.S. economy. While the markets had months to prepare for the announcement, equities and other risk assets soared in reaction to the news while bond markets saw yields drift higher.

Highlights of the financial markets during our twelve-month fiscal reporting period include:

- U.S. Treasuries underperformed most other developed sovereign bond markets on a hedged basis as investors reacted to the various Fed announcements regarding the tapering of their QE bond purchase program. In particular, U.S. Treasury yields rose to their highest level in late December as investors reacted to the Fed's announcement that it would begin the reduction of its asset purchases starting in January 2014. This decision was made on the back of improving economic data, which included a lower unemployment rate, respectable monthly job reports, and improving housing fundamentals. The benchmark ten-year U.S. Treasury note yielded 3.03% at the end of the reporting period, as compared to 1.76% on December 31, 2012. The Barclays U.S. Aggregate Index, a widely used index of U.S. investment-grade bonds, declined 2.02% for the period.

- U.S. Treasury Inflation-Protected Securities ("TIPS"), as represented by the Barclays U.S. TIPS Index, declined 8.61% over the period, underperforming nominal U.S. Treasuries. U.S. TIPS sold off, particularly during the second quarter of the reporting period, as the market began to price in the inevitable Fed tapering decision, which was officially announced in December. The decision by the Fed to initiate the tapering of asset purchases was validated via stronger jobs and GDP data, with continual weaker inflation data adding further pressure to U.S. TIPS valuations towards the latter part of the period. Diversified commodities posted negative returns, as represented by the Dow Jones-UBS Commodity Index Total Return, which declined 9.52% over the period.
- Agency mortgage-backed securities ("MBS") outperformed like-duration U.S. Treasuries even with the Fed's announcement that it would begin to reduce its asset purchases in January 2014. The announcement, however, did lead to differentiated performance among coupons, with lower coupons underperforming, as these bonds have been the largest beneficiaries of Fed purchases. Prices for non-Agency mortgages rose on limited outstanding supply, improving risk appetite and ongoing signs of recovery in the housing sector. Commercial MBS also outperformed amid strong investor demand and a continued rebound in property valuations.
- The U.S. investment grade credit market, as measured by the Barclays U.S. Credit Index, declined 2.01% for the period, but outperformed like-duration U.S. Treasuries as spreads tightened, ending the year at the lowest level since the global financial crisis began. This positive performance was supported by improving global growth fundamentals and continued easy monetary policy. The high yield sector, as measured by the BofA Merrill Lynch U.S. High Yield Index, returned 7.42% for the period. The sector was one of the best-performing fixed income sectors, benefiting from relatively sound fundamentals and investor demand for higher yielding assets with lower interest rate sensitivity.
- Emerging markets ("EM") external debt underperformed U.S. Treasuries during the year and was impacted by the second quarter sell-off. Country-specific stories and the risk-on market sentiment following the Fed tapering announcement supported lower spreads in the fourth quarter, particularly in December. EM local assets particularly underperformed U.S. Treasuries during the period, as weaker EM currencies and increases in local yields weighed on overall returns.
- Developed market equities posted strong performance in 2013, despite a period marked by considerable volatility and uncertainty around central bank policy. U.S. equities, as measured by the S&P 500 Index, returned 32.39%. Global equities, as represented by the MSCI All Country World Index Net USD and MSCI World Index, returned 22.80% and 26.68%, respectively. Emerging market equities ("EM"), as represented by the MSCI Emerging Markets Index (Net Dividends in USD), declined 2.60%. EM equities underperformed developed market equities due to declining earnings growth and rising interest rates in the U.S. which placed pressure on local EM currencies.

Thank you once again for the trust you have placed in us. We value your commitment and will continue to work diligently to meet your investment needs.

Sincerely,

Brent R. Harris

Brent R. Harris
President and Chairman of the Board,
PIMCO Variable Insurance Trust

January 24, 2014

Important Information About the Portfolio

PIMCO Variable Insurance Trust (the "Trust") is an open-end management investment company currently consisting of twenty separate investment portfolios, including the PIMCO Total Return Portfolio (the "Portfolio"). The Portfolio is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies ("Variable Contracts"). Individuals may not purchase shares of the Portfolio directly. Shares of the Portfolio also may be sold to qualified pension and retirement plans outside of the separate account context.

We believe that bond funds have an important role to play in a well diversified investment portfolio. It is important to note, however, that in an environment where interest rates may trend upward, rising rates would negatively impact the performance of most bond funds, and fixed-income securities held by a fund are likely to decrease in value. A number of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions). Accordingly, changes in interest rates can be sudden, and there is no guarantee that Fund management will anticipate such movement.

As of the date of this report, interest rates in the U.S. are at or near historically low levels. As such, bond funds may currently face an increased exposure to the risks associated with a rising interest rate environment. This is especially true since the Federal Reserve Board has begun tapering its quantitative easing program. Further, while the U.S. bond market has steadily grown over the past three decades, dealer inventories of corporate bonds have remained relatively stagnant. As a result, there has been a significant reduction in the ability of dealers to "make markets." All of the factors mentioned above, individually or collectively, could lead to increased volatility and/or lower liquidity in the fixed income markets, which could result in losses to the Portfolio.

Bond funds and individual bonds with a longer duration (a measure used to determine the sensitivity of a security's price to changes in interest rates) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations. If the performance of the Portfolio were to be negatively impacted by rising interest rates, the Portfolio could face increased redemptions by its shareholders, which could further reduce the value of the Portfolio.

The Portfolio may be subject to various risks in addition to those described above. Some of these risks may include, but are not limited to, the following: interest rate risk, credit risk, high yield risk, market risk, issuer risk, liquidity risk, derivatives risk, equity risk, mortgage-related and other asset-backed securities risk, foreign (non-U.S.) investment risk, emerging markets risk, currency risk, leveraging risk, management risk, operational risk, short sale risk and convertible securities risk. A complete description of these risks is contained in the Portfolio's prospectus. The Portfolio may use derivative instruments for hedging purposes or as part of an investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk and the risk that the Portfolio may not be able to close out a position when it would be most advantageous to do so. Certain derivative transactions may have a leveraging effect on the Portfolio. For example, a small investment in a derivative instrument may have a significant impact on the Portfolio's exposure to interest rates, currency exchange rates or other investments. As a result, a relatively small price movement in a derivative instrument may cause an immediate and substantial loss or gain, which translates into heightened volatility in the Fund. The Portfolio may engage in such transactions regardless of whether the Portfolio owns the asset, instrument or components of the index underlying the derivative instrument. The Portfolio may invest a significant portion of its assets in these types of instruments. If it does, the Portfolio's investment exposure could far exceed the value of its portfolio securities and its investment performance could be primarily dependent upon securities it does not own. Investing in non-U.S. securities may entail risk due to non-U.S. economic and political developments; this risk may be increased when investing in emerging markets. For example, if the Portfolio invests in emerging market debt, it may face increased exposure to interest rate, liquidity, volatility, and redemption risk due to the specific economic, political, geographical, or legal background of the foreign issuer.

High-yield bonds typically have a lower credit rating than other bonds. Lower-rated bonds generally involve a greater risk to principal than higher-rated bonds. Further, markets for lower-rated bonds are typically less liquid than for higher-rated bonds, and public information is usually less abundant in such markets. Thus, high yield investments increase the chance that the Portfolio will lose money. The credit quality of a particular security or group of securities does not ensure the stability or safety of the overall portfolio. Mortgage- and Asset-Backed Securities represent ownership interests in "pools" of mortgages or other assets such as consumer loans or receivables. As a general matter, Mortgage- and Asset-Backed Securities are subject to interest rate risk, extension risk, prepayment risk, and credit risk. These risks largely stem from the fact that returns on Mortgage- and Asset-Backed Securities depend on the ability of the underlying assets to generate cash flow.

On the Portfolio Summary page in this Shareholder Report, the Average Annual Total Return table and Cumulative Returns chart measure performance assuming that all dividend and capital gain distributions were reinvested.

An investment in the Portfolio is not a deposit of a bank and is not guaranteed or insured by the Federal Deposit Insurance Corporation or any other government agency. It is possible to lose money on investments in the Portfolio.

PIMCO has adopted written proxy voting policies and procedures ("Proxy Policy") as required by Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. The Proxy Policy has been adopted by the Trust as the policies and procedures that PIMCO will use when voting proxies on behalf of the Portfolio. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of the Portfolio, and information about how the Portfolio voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Trust at (888) 87-PIMCO, on the Portfolio's website at http://pvit.pimco-funds.com, and on the Securities and Exchange Commission's ("SEC") website at http://www.sec.gov.

The Portfolio files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A copy of the Trust's Form N-Q is available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington D.C. and is available without charge, upon request, by calling the Trust at (888) 87-PIMCO and on the Portfolio's website at http://pvit.pimco-funds.com. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

PIMCO Variable Insurance Trust is distributed by PIMCO Investments LLC, 1633 Broadway, New York, New York 10019.

The following disclosure provides important information regarding the Portfolio's Expense Example ("Example" or "Expense Example"), which appears in this Shareholder Report. Please refer to this information when reviewing the Expense Example for the Portfolio.

Expense Example

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; distribution and/or service (12b-1) fees (Administrative and Advisor Class only); and other Portfolio expenses. The Example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds. The Expense Example does not reflect any fees or other expenses imposed by the Variable Contracts. If it did, the expenses reflected in the Expense Example would be higher. The Example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period indicated, which is from July 1, 2013 to December 31, 2013.

Actual Expenses

The information in the table under the heading "Actual" provides information about actual account values and actual expenses. You may use the information in these columns, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = $8.60), then multiply the result by the number in the row titled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

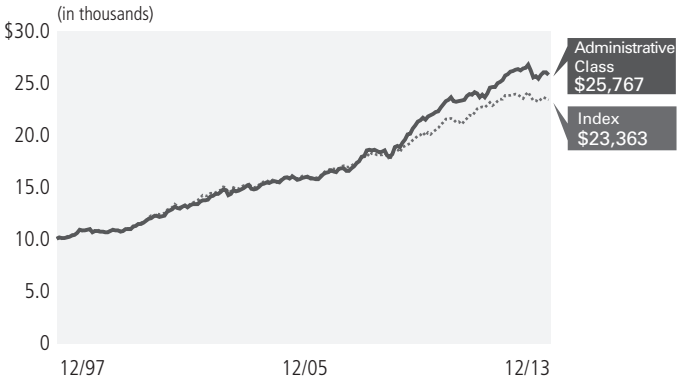
The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other portfolios. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other portfolios.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading "Hypothetical (5% return before expenses)" is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different portfolios. In addition, if these transactional costs were included, your costs would have been higher.

The expense ratio may vary period to period because of various factors, such as an increase in expenses not covered by the management fees (such as expenses of the independent trustees and their counsel, extraordinary expenses and interest expense).

PIMCO Total Return Portfolio

Cumulative Returns Through December 31, 2013



$10,000 invested at the end of the month when the Portfolio's Administrative Class commenced operations.

Allocation Breakdown‡

U.S. Treasury Obligations	32.7%
U.S. Government Agencies	32.3%
Corporate Bonds & Notes	13.2%
Short-Term Instruments	7.3%
Mortgage-Backed Securities	4.2%
Other	10.3%

‡ % of Total Investments as of 12/31/13

Portfolio Insights

» The PIMCO Total Return Portfolio seeks maximum total return, consistent with preservation of capital and prudent investment management, by investing under normal circumstances at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. "Fixed Income Instruments" include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities.

» A focus on the zero- to five-year portion of the U.S. Treasury yield curve contributed to performance as longer-dated yields rose more than shorter-dated maturities.

» An underweight to the long end of the yield curve, predominantly implemented via interest rate swaps, added to performance as longer term rates rose during the reporting period.

» Exposure to non-Agency mortgage-backed securities added to returns as prices on these securities rose during the reporting period.

» An underweight to investment grade credit detracted from performance as the investment grade sector outperformed U.S. Treasuries during the reporting period.

» An allocation to high yield corporate bonds added to performance as this sector outperformed like-duration U.S. Treasuries during the reporting period.

» Foreign currency exposure, particularly a short position on the Japanese yen, contributed to performance as the Japanese yen depreciated versus the U.S. dollar during the reporting period.

» An allocation to U.S. Treasury Inflation-Protected Securities detracted from performance as breakeven inflation fell during the reporting period.

Average Annual Total Return for the period ended December 31, 2013

		1 Year	5 Years	10 Years	Class Inception (12/31/1997)
—	PIMCO Total Return Portfolio Administrative Class	-1.96%	6.53%	5.72%	6.09%
·····	Barclays U.S. Aggregate Index±	-2.02%	4.44%	4.55%	5.44%

All Portfolio returns are net of fees and expenses.

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. The Portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in Variable Contracts, which will reduce returns. For performance current to the most recent month-end, visit http://pvit.pimco-funds.com. The Portfolio's total annual operating expense ratio as stated in the Portfolio's current prospectus, as supplemented to date, is 0.65% for Administrative Class shares.

± Barclays U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. It is not possible to invest directly in an unmanaged index.

Expense Example	Actual	Hypothetical (5% return before expenses)
Beginning Account Value (07/01/13)	$1,000.00	$1,000.00
Ending Account Value (12/31/13)	$1,009.60	$1,021.93
Expenses Paid During Period†	$ 3.29	$ 3.31
Net Annualized Expense Ratio	0.65%	0.65%

† Expenses Paid During Period are equal to the net annualized expense ratio for the class, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period). Overall fees and expenses of investing in the Portfolio will be higher because the example does not reflect variable contract fees and expenses.

Please refer to the Important Information Section for an explanation of the information presented in the above Expense Example.

Financial Highlights PIMCO Total Return Portfolio

Selected Per Share Data for the Year Ended:	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
Administrative Class					
Net asset value beginning of year	$ 11.55	$ 11.02	$ 11.08	$ 10.82	$ 10.31
Net investment income [a]	0.18	0.24	0.26	0.24	0.49
Net realized/unrealized gain (loss)	(0.40)	0.81	0.13	0.63	0.93
Total income (loss) from investment operations	(0.22)	1.05	0.39	0.87	1.42
Dividends from net investment income	(0.25)	(0.30)	(0.29)	(0.27)	(0.57)
Distributions from net realized capital gains	(0.10)	(0.22)	(0.16)	(0.34)	(0.34)
Total distributions	(0.35)	(0.52)	(0.45)	(0.61)	(0.91)
Net asset value end of year	$ 10.98	$ 11.55	$ 11.02	$ 11.08	$ 10.82
Total return	(1.96)%	9.59%	3.61%	8.10%	14.04%
Net assets end of year (000s)	$7,756,022	$ 8,733,829	$ 7,759,038	$ 7,260,958	$ 5,566,064
Ratio of expenses to average net assets	0.65%	0.65%	0.65%	0.65%	0.74%
Ratio of expenses to average net assets excluding interest expense	0.65%	0.65%	0.65%	0.65%	0.65%
Ratio of net investment income to average net assets	1.55%	2.13%	2.32%	2.09%	4.52%
Portfolio turnover rate	305%*	495%*	424%*	484%*	381%

* The ratio excludes PIMCO Short-Term Floating NAV Portfolio.
[a] Per share amounts based on average number of shares outstanding during the year.

Statement of Assets and Liabilities PIMCO Total Return Portfolio

(Amounts in thousands, except per share amounts)	December 31, 2013
Assets:	
Investments, at value	
Investments in securities*	$ 11,206,211
Investments in Affiliates	412,240
Financial Derivative Instruments	
Exchange-traded or centrally cleared	8,859
Over the counter	14,235
Cash	5
Deposits with counterparty	67,334
Foreign currency, at value	2,396
Receivable for investments sold	584,843
Receivable for Portfolio shares sold	61,268
Interest and dividends receivable	47,688
Dividends receivable from Affiliates	805
Other assets	3
	12,405,887
Liabilities:	
Borrowings & Other Financing Transactions	
Payable for sale-buyback transactions	$ 93,721
Financial Derivative Instruments	
Exchange-traded or centrally cleared	5,153
Over the counter	27,068
Payable for investments purchased	2,004,890
Payable for investments in Affiliates purchased	805
Deposits from counterparty	11,340
Payable for Portfolio shares redeemed	8,550
Accrued investment advisory fees	2,173
Accrued supervisory and administrative fees	2,173
Accrued distribution fees	470
Accrued servicing fees	987
Reimbursement to PIMCO	145
	2,157,475
Net Assets	$ 10,248,412
Net Assets Consist of:	
Paid in capital	$ 10,078,898
Undistributed net investment income	193,651
Accumulated undistributed net realized (loss)	(126,539)
Net unrealized appreciation	102,402
	$ 10,248,412
Net Assets:	
Institutional Class	$ 278,698
Administrative Class	7,756,022
Advisor Class	2,213,692
Shares Issued and Outstanding:	
Institutional Class	25,391
Administrative Class	706,625
Advisor Class	201,683
Net Asset Value and Redemption Price Per Share Outstanding:	
Institutional Class	$ 10.98
Administrative Class	10.98
Advisor Class	10.98
Cost of Investments in Securities	$ 11,133,367
Cost of Investments in Affiliates	$ 412,490
Cost of Foreign Currency Held	$ 2,402
Cost or Premiums of Financial Derivative Instruments, net	$ (6,408)
* Includes repurchase agreements of:	$ 97,039

See Accompanying Notes

Statement of Operations PIMCO Total Return Portfolio

(Amounts in thousands)	Year Ended December 31, 2013
Investment Income:	
Interest	$ 231,883
Dividends	1,991
Dividends from Investments in Affiliates	4,469
Total Income	238,343
Expenses:	
Investment advisory fees	27,069
Supervisory and administrative fees	27,069
Servicing fees - Administrative Class	12,514
Distribution and/or servicing fees - Advisor Class	5,156
Trustees' fees	211
Interest expense	55
Miscellaneous expense	1
Total Expenses	72,075
Net Investment Income	166,268
Net Realized Gain (Loss):	
Investments in securities	(100,953)
Investments in Affiliates	(98)
Exchange-traded or centrally cleared financial derivative instruments	(13,911)
Over the counter financial derivative instruments	57,368
Foreign currency	423
Net Realized (Loss)	(57,171)
Net Change in Unrealized Appreciation (Depreciation):	
Investments in securities	(370,556)
Investments in Affiliates	(261)
Exchange-traded or centrally cleared financial derivative instruments	37,426
Over the counter financial derivative instruments	(6,384)
Foreign currency assets and liabilities	(44)
Net Change in Unrealized (Depreciation)	(339,819)
Net (Loss)	(396,990)
Net (Decrease) in Net Assets Resulting from Operations	$ (230,722)

See Accompanying Notes

Statements of Changes in Net Assets PIMCO Total Return Portfolio

(Amounts in thousands)	Year Ended December 31, 2013	Year Ended December 31, 2012
Increase (Decrease) in Net Assets from:		
Operations:		
Net investment income	$ 166,268	$ 216,434
Net realized gain (loss)	(57,171)	420,965
Net change in unrealized appreciation (depreciation)	(339,819)	282,141
Net increase (decrease) resulting from operations	(230,722)	919,540
Distributions to Shareholders:		
From net investment income		
Institutional Class	(9,647)	(9,004)
Administrative Class	(183,002)	(216,458)
Advisor Class	(43,821)	(36,482)
From net realized capital gains		
Institutional Class	(2,443)	(8,692)
Administrative Class	(67,659)	(163,223)
Advisor Class	(19,294)	(33,880)
Total Distributions	(325,866)	(467,739)
Portfolio Share Transactions:		
Net increase (decrease) resulting from Portfolio share transactions**	(246,420)	1,513,713
Net increase (decrease) in capital	(803,008)	1,965,514
Net Assets:		
Beginning of year	11,051,420	9,085,906
End of year*	$ 10,248,412	$ 11,051,420
*Including undistributed net investment income of:	$ 193,651	$ 206,239

**See note 12 in the Notes to Financial Statements.

See Accompanying Notes

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 109.4%			
BANK LOAN OBLIGATIONS 0.0%			
Biomet, Inc.			
3.165% - 3.169% due 03/25/2015	$	250	$ 252
Total Bank Loan Obligations (Cost $249)			**252**
CORPORATE BONDS & NOTES 15.0%			
BANKING & FINANCE 12.3%			
AIG Life Holdings, Inc.			
8.125% due 03/15/2046		3,200	3,832
Ally Financial, Inc.			
2.750% due 01/30/2017		34,000	34,212
3.439% due 02/11/2014		6,100	6,138
3.645% due 06/20/2014		1,600	1,628
4.500% due 02/11/2014		500	503
4.625% due 06/26/2015		6,200	6,468
5.500% due 02/15/2017		12,200	13,267
6.750% due 12/01/2014		7,600	7,971
8.300% due 02/12/2015		11,100	11,960
American Express Bank FSB			
6.000% due 09/13/2017		3,600	4,143
American Express Centurion Bank			
6.000% due 09/13/2017		3,900	4,476
American International Group, Inc.			
4.900% due 06/02/2014	CAD	6,000	5,717
5.050% due 10/01/2015	$	12,500	13,401
5.450% due 05/18/2017		1,100	1,230
5.600% due 10/18/2016		6,100	6,802
6.250% due 03/15/2087		2,100	2,111
8.175% due 05/15/2068		3,000	3,645
8.250% due 08/15/2018		18,450	23,114
Australia & New Zealand Banking Group Ltd.			
2.125% due 01/10/2014		1,400	1,400
Banco do Brasil S.A.			
2.899% due 07/02/2014		7,600	7,654
Banco Santander Brasil S.A.			
2.343% due 03/18/2014		1,000	1,000
4.250% due 01/14/2016		1,800	1,865
4.500% due 04/06/2015		13,100	13,526
Bank of America Corp.			
0.571% due 08/15/2016		2,800	2,754
1.500% due 10/09/2015		5,500	5,558
6.500% due 08/01/2016		32,700	36,941
Bank of America N.A.			
6.000% due 10/15/2036		1,700	1,951
Bank of China Hong Kong Ltd.			
5.550% due 02/11/2020		2,100	2,261
Bank of Montreal			
2.850% due 06/09/2015		7,200	7,446
Bank of Nova Scotia			
1.950% due 01/30/2017		500	513
Banque PSA Finance S.A.			
2.146% due 04/04/2014		12,100	12,096
Barclays Bank PLC			
10.179% due 06/12/2021		1,900	2,522
BBVA Bancomer S.A.			
4.500% due 03/10/2016		3,200	3,408
6.500% due 03/10/2021		6,400	6,784
7.250% due 04/22/2020		6,400	6,944
BBVA U.S. Senior S.A.U.			
2.363% due 05/16/2014		39,700	39,954
Bear Stearns Cos. LLC			
6.400% due 10/02/2017		25,100	29,143
7.250% due 02/01/2018		12,200	14,615
BNP Paribas S.A.			
1.144% due 01/10/2014	$	21,100	$ 21,104
BPCE S.A.			
1.988% due 02/07/2014		5,200	5,208
CIT Group, Inc.			
4.750% due 02/15/2015		2,200	2,285
5.250% due 04/01/2014		2,200	2,228
Citigroup, Inc.			
0.512% due 06/09/2016		13,100	12,895
1.694% due 01/13/2014		27,700	27,710
4.587% due 12/15/2015		41,900	44,796
4.875% due 05/07/2015		6,100	6,401
5.500% due 10/15/2014		2,399	2,489
Credit Agricole Home Loan SFH			
0.992% due 07/21/2014		31,000	31,098
Credit Agricole S.A.			
1.692% due 01/21/2014		15,300	15,311
8.375% due 10/13/2019 (c)		1,500	1,710
Credit Suisse			
2.200% due 01/14/2014		4,800	4,803
Dexia Credit Local S.A.			
0.717% due 04/29/2014		20,500	20,531
2.750% due 04/29/2014		15,100	15,220
Export-Import Bank of India			
2.397% due 03/30/2016		5,000	4,910
Export-Import Bank of Korea			
4.000% due 01/29/2021		5,100	5,250
4.125% due 09/09/2015		12,000	12,667
5.125% due 06/29/2020		3,300	3,638
5.875% due 01/14/2015		29,900	31,462
8.125% due 01/21/2014		5,000	5,021
Fifth Third Bancorp			
0.665% due 12/20/2016		3,000	2,974
Ford Motor Credit Co. LLC			
7.000% due 04/15/2015		7,500	8,082
8.000% due 06/01/2014		300	309
8.000% due 12/15/2016		500	592
8.700% due 10/01/2014		3,600	3,816
General Electric Capital Corp.			
3.800% due 06/18/2019		6,900	7,232
6.375% due 11/15/2067		9,600	10,452
General Motors Financial Co., Inc.			
2.750% due 05/15/2016		4,000	4,060
GSPA Monetization Trust			
6.422% due 10/09/2029		16,042	15,754
HBOS PLC			
0.942% due 09/06/2017		7,700	7,444
HSBC Bank PLC			
2.000% due 01/19/2014		2,900	2,902
ING Bank NV			
1.642% due 06/09/2014		7,200	7,240
International Lease Finance Corp.			
5.750% due 05/15/2016		1,900	2,040
6.750% due 09/01/2016		4,500	5,040
Intesa Sanpaolo SpA			
2.638% due 02/24/2014		11,600	11,634
JPMorgan Chase & Co.			
4.750% due 03/01/2015		18,900	19,779
JPMorgan Chase Bank N.A.			
6.000% due 10/01/2017		11,000	12,591
Korea Development Bank			
8.000% due 01/23/2014		3,000	3,013
Korea Exchange Bank			
3.125% due 06/26/2017		5,200	5,340
Korea Finance Corp.			
3.250% due 09/20/2016		2,400	2,509
LBG Capital PLC			
7.588% due 05/12/2020	GBP	100	$ 176
7.869% due 08/25/2020		200	354
8.000% due 06/15/2020 (c)	$	6,000	6,427
8.500% due 12/17/2021 (c)		1,100	1,178
Lloyds Bank PLC			
12.000% due 12/16/2024 (c)		32,400	44,022
Macquarie Group Ltd.			
7.300% due 08/01/2014		22,075	22,887
Merrill Lynch & Co., Inc.			
6.875% due 04/25/2018		17,100	20,229
Morgan Stanley			
0.724% due 10/15/2015		700	699
6.000% due 04/28/2015		38,480	40,996
National Australia Bank Ltd.			
0.966% due 04/11/2014		26,400	26,451
National Bank of Canada			
2.200% due 10/19/2016		2,500	2,582
Nationwide Building Society			
6.250% due 02/25/2020		3,600	4,121
Nordea Bank AB			
2.125% due 01/14/2014		2,300	2,301
Nordea Eiendomskreditt A/S			
0.663% due 04/07/2015		20,100	20,120
Petrobras Global Finance BV			
2.384% due 01/15/2019		2,400	2,358
3.000% due 01/15/2019		2,200	2,063
QNB Finance Ltd.			
3.125% due 11/16/2015		3,000	3,101
Rabobank Group			
6.875% due 03/19/2020	EUR	7,600	11,876
RCI Banque S.A.			
2.116% due 04/11/2014	$	41,600	41,730
Royal Bank of Scotland Group PLC			
6.990% due 10/05/2017 (c)		21,900	23,542
Sberbank of Russia Via SB Capital S.A.			
5.400% due 03/24/2017		500	537
5.499% due 07/07/2015		13,100	13,886
SLM Corp.			
0.538% due 01/27/2014		1,650	1,648
5.000% due 04/15/2015		5,000	5,244
6.250% due 01/25/2016		1,900	2,059
8.450% due 06/15/2018		13,600	15,895
Springleaf Finance Corp.			
6.900% due 12/15/2017		64,200	70,492
SSIF Nevada LP			
0.944% due 04/14/2014		68,400	68,522
State Bank of India			
4.500% due 07/27/2015		6,000	6,177
SteelRiver Transmission Co. LLC			
4.710% due 06/30/2017		7,218	7,467
Stone Street Trust			
5.902% due 12/15/2015		9,500	10,187
Temasek Financial Ltd.			
4.300% due 10/25/2019		2,100	2,296
Turkiye Garanti Bankasi A/S			
2.742% due 04/20/2016		3,100	3,015
UBS AG			
1.238% due 01/28/2014		1,395	1,396
Vnesheconombank Via VEB Finance PLC			
5.450% due 11/22/2017		2,400	2,577
Wells Fargo Capital			
5.950% due 12/01/2086		15,900	15,765
			1,262,869

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
INDUSTRIALS 1.7%		
Altria Group, Inc.		
7.750% due 02/06/2014	$ 8,680	$ 8,737
Amgen, Inc.		
1.875% due 11/15/2014	2,000	2,023
Anheuser-Busch InBev Worldwide, Inc.		
0.788% due 01/27/2014	26,800	26,810
Braskem Finance Ltd.		
5.750% due 04/15/2021	2,700	2,659
Con-way, Inc.		
7.250% due 01/15/2018	2,600	2,990
CSN Islands Corp.		
6.875% due 09/21/2019	2,700	2,815
CSN Resources S.A.		
6.500% due 07/21/2020	15,400	15,651
Daimler Finance North America LLC		
1.300% due 07/31/2015	11,375	11,446
General Mills, Inc.		
0.588% due 05/16/2014	3,000	3,003
Gerdau Holdings, Inc.		
7.000% due 01/20/2020	1,300	1,424
Gerdau Trade, Inc.		
5.750% due 01/30/2021	4,900	5,022
GTL Trade Finance, Inc.		
7.250% due 10/20/2017	1,400	1,580
HCA, Inc.		
7.875% due 02/15/2020	10,000	10,762
Hutchison Whampoa International Ltd.		
4.625% due 09/11/2015	3,600	3,819
Noble Group Ltd.		
4.875% due 08/05/2015	700	731
6.625% due 08/05/2020	2,900	3,005
Northwest Airlines Pass-Through Trust		
7.150% due 04/01/2021	5,770	6,246
Petrobras International Finance Co.		
7.875% due 03/15/2019	38,300	43,554
Reliance Holdings USA, Inc.		
4.500% due 10/19/2020	4,600	4,546
Rohm & Haas Co.		
6.000% due 09/15/2017	1,062	1,205
WM Wrigley Jr. Co.		
3.700% due 06/30/2014	11,243	11,417
		169,445
UTILITIES 1.0%		
Entergy Corp.		
3.625% due 09/15/2015	12,200	12,590
Gazprom OAO Via Gaz Capital S.A.		
5.092% due 11/29/2015	2,300	2,452
6.212% due 11/22/2016	1,100	1,216
8.146% due 04/11/2018	5,600	6,622
Gazprom OAO Via White Nights Finance BV		
10.500% due 03/25/2014	800	820
Majapahit Holding BV		
7.250% due 06/28/2017	4,700	5,170
7.750% due 10/17/2016	3,405	3,754
7.750% due 01/20/2020	3,100	3,418
8.000% due 08/07/2019	5,100	5,718
Novatek OAO via Novatek Finance Ltd.		
5.326% due 02/03/2016	2,000	2,132
Odebrecht Drilling Norbe Ltd.		
6.350% due 06/30/2021	13,230	13,627
Qtel International Finance Ltd.		
3.375% due 10/14/2016	11,300	11,865
Ras Laffan Liquefied Natural Gas Co. Ltd.		
5.838% due 09/30/2027	800	854
6.750% due 09/30/2019	2,000	2,360
Rosneft Finance S.A.		
6.625% due 03/20/2017	$ 1,000	$ 1,110
7.875% due 03/13/2018	4,800	5,568
Verizon Communications, Inc.		
1.993% due 09/14/2018	4,400	4,632
2.500% due 09/15/2016	5,500	5,691
3.650% due 09/14/2018	14,700	15,570
		105,169
Total Corporate Bonds & Notes (Cost $1,453,255)		**1,537,483**
MUNICIPAL BONDS & NOTES 4.7%		
CALIFORNIA 2.5%		
Alameda County, California Joint Powers Authority Revenue Bonds, (BABs), Series 2010		
7.046% due 12/01/2044	2,200	2,432
Bay Area Toll Authority, California Revenue Bonds, (BABs), Series 2010		
6.907% due 10/01/2050	2,700	3,281
7.043% due 04/01/2050	8,600	10,617
California Infrastructure & Economic Development Bank Revenue Bonds, (BABs), Series 2010		
6.486% due 05/15/2049	2,200	2,309
California State General Obligation Bonds, (BABs), Series 2009		
7.500% due 04/01/2034	17,900	22,856
7.550% due 04/01/2039	2,000	2,589
California State General Obligation Bonds, (BABs), Series 2010		
7.600% due 11/01/2040	5,800	7,647
7.625% due 03/01/2040	18,600	24,345
7.700% due 11/01/2030	100	116
7.950% due 03/01/2036	29,300	33,901
California Statewide Communities Development Authority Revenue Bonds, Series 2010		
7.550% due 05/15/2040	8,200	9,851
Golden State, California Tobacco Securitization Corp. Revenue Bonds, Series 2007		
5.125% due 06/01/2047	1,400	949
Irvine Ranch Water District Joint Powers Agency, California Revenue Notes, Series 2012		
2.388% due 03/15/2014	15,865	15,877
Los Angeles County, California Metropolitan Transportation Authority Revenue Bonds, (BABs), Series 2010		
5.735% due 06/01/2039	8,200	8,744
Los Angeles County, California Public Works Financing Authority Revenue Bonds, (BABs), Series 2010		
7.488% due 08/01/2033	1,200	1,428
7.618% due 08/01/2040	15,400	18,032
Los Angeles Unified School District, California General Obligation Bonds, (AGM Insured), Series 2007		
4.500% due 07/01/2023	7,700	8,309
Los Angeles Unified School District, California General Obligation Bonds, (BABs), Series 2010		
6.758% due 07/01/2034	8,100	9,964
Los Angeles, California Wastewater System Revenue Bonds, (BABs), Series 2010		
5.713% due 06/01/2039	2,000	2,125
Palomar Community College District, California General Obligation Bonds, (BABs), Series 2010		
7.194% due 08/01/2045	1,300	1,428
Riverside Community College District Foundation, California General Obligation Bonds, (BABs), Series 2010		
6.971% due 08/01/2035	400	431
7.021% due 08/01/2040	700	760
Riverside, California Electric Revenue Bonds, (BABs), Series 2010		
7.605% due 10/01/2040	$ 11,800	$ 14,993
San Francisco, California Public Utilities Commission Water Revenue Bonds, (BABs), Series 2010		
6.950% due 11/01/2050	26,285	33,159
Tobacco Securitization Authority of Southern California Revenue Bonds, Series 2006		
5.125% due 06/01/2046	655	445
University of California Revenue Bonds, (BABs), Series 2010		
6.398% due 05/15/2031	9,500	10,712
6.548% due 05/15/2048	4,700	5,487
		252,787
COLORADO 0.0%		
Colorado Health Facilities Authority Revenue Bonds, (AGM Insured), Series 2006		
5.000% due 09/01/2036	3,900	3,868
ILLINOIS 0.0%		
Chicago Transit Authority, Illinois Revenue Bonds, (BABs), Series 2010		
6.200% due 12/01/2040	2,400	2,501
IOWA 0.0%		
Iowa Tobacco Settlement Authority Revenue Bonds, Series 2005		
6.500% due 06/01/2023	745	725
MISSISSIPPI 0.0%		
Mississippi Development Bank Revenue Bonds, (BABs), Series 2010		
6.313% due 01/01/2033	2,300	2,467
NEBRASKA 0.1%		
Public Power Generation Agency, Nebraska Revenue Bonds, (BABs), Series 2009		
7.242% due 01/01/2041	6,500	6,872
NEVADA 0.1%		
Clark County, Nevada Airport System Revenue Bonds, (BABs), Series 2010		
6.820% due 07/01/2045	4,100	5,002
NEW JERSEY 0.4%		
New Jersey Economic Development Authority Revenue Bonds, (AGM Insured), Series 1997		
0.000% due 02/15/2024	22,540	13,044
New Jersey State Turnpike Authority Revenue Bonds, (BABs), Series 2009		
7.414% due 01/01/2040	18,500	24,377
		37,421
NEW YORK 0.5%		
Metropolitan Transportation Authority, New York Revenue Bonds, Series 2012		
5.000% due 11/15/2027	2,800	3,055
New York City, New York General Obligation Bonds, (BABs), Series 2010		
6.646% due 12/01/2031	26,300	28,965
New York City, New York Water & Sewer System Revenue Bonds, (BABs), Series 2010		
5.882% due 06/15/2044	2,100	2,397
6.282% due 06/15/2042	2,100	2,266

See Accompanying Notes

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
New York State Dormitory Authority Revenue Bonds, Series 2012		
5.000% due 12/15/2030	$ 9,500	$ 10,208
Port Authority of New York & New Jersey Revenue Bonds, Series 2010		
5.647% due 11/01/2040	2,500	2,694
		49,585
OHIO 0.4%		
American Municipal Power, Inc., Ohio Revenue Bonds, (BABs), Series 2010		
8.084% due 02/15/2050	29,100	38,415
Buckeye Tobacco Settlement Financing Authority, Ohio Revenue Bonds, Series 2007		
6.500% due 06/01/2047	3,600	2,911
		41,326
TEXAS 0.5%		
Dallas Convention Center Hotel Development Corp., Texas Revenue Bonds, (BABs), Series 2009		
7.088% due 01/01/2042	20,700	23,429
JPMorgan Chase Putters/Drivers Trust, Texas General Obligation Bonds, (PSF/GTD Insured), Series 2008		
8.550% due 02/15/2031	3,390	4,183
JPMorgan Chase Putters/Drivers Trust, Texas Revenue Bonds, Series 2008		
8.467% due 02/01/2027	2,575	3,124
8.551% due 10/01/2031	6,240	7,309
San Antonio, Texas City Public Service Board Revenue Bonds, (BABs), Series 2010		
5.808% due 02/01/2041	14,800	16,641
		54,686
WASHINGTON 0.2%		
Energy Northwest, Washington Revenue Notes, Series 2012		
2.803% due 07/01/2021	20,000	19,358
WISCONSIN 0.0%		
Wisconsin State Revenue Bonds, (AGM Insured), Series 2008		
5.050% due 05/01/2018	3,200	3,502
Total Municipal Bonds & Notes (Cost $453,980)		**480,100**
U.S. GOVERNMENT AGENCIES 36.6%		
Fannie Mae		
0.225% due 12/25/2036 - 07/25/2037	2,888	2,738
0.415% due 05/25/2037	549	548
0.475% due 04/25/2037	2,414	2,414
0.515% due 03/25/2044	1,817	1,755
0.575% due 09/25/2035	1,077	1,080
0.615% due 09/25/2035	6,048	6,060
0.865% due 10/25/2037	1,464	1,471
0.875% due 08/28/2017 - 05/21/2018	44,600	43,744
1.065% due 07/25/2039	822	830
1.125% due 04/27/2017	21,900	21,996
1.250% due 01/30/2017	5,200	5,265
1.344% due 06/01/2043 - 07/01/2044	1,980	2,022
1.544% due 09/01/2040	6	6
1.700% due 04/01/2035	3,322	3,463
1.875% due 09/18/2018	2,100	2,115
2.103% due 08/01/2035	1,041	1,103
2.295% due 01/01/2025	$ 10	$ 10
2.310% due 08/01/2022	4,700	4,435
2.339% due 09/01/2039	25	26
2.340% due 11/01/2025	1	1
2.369% due 05/25/2035	338	349
2.475% due 04/01/2019	14,800	15,093
2.500% due 08/01/2022	5,217	5,328
2.670% due 08/01/2022	783	756
2.870% due 09/01/2027	6,700	5,812
3.000% due 09/01/2020 - 01/01/2029	93,051	95,258
3.330% due 11/01/2021	1,351	1,374
3.500% due 12/01/2025 - 11/01/2043	253,805	255,469
3.835% due 10/01/2032	508	518
3.962% due 11/01/2035	96	100
4.000% due 01/01/2026 - 01/01/2044	524,253	539,897
4.000% due 02/01/2044	224,500	230,463
4.412% due 12/01/2036	815	865
4.500% due 08/01/2018 - 02/01/2044	1,184,185	1,255,702
4.501% due 07/01/2019	29,328	32,210
4.595% due 09/01/2034	568	604
4.992% due 09/01/2035	242	258
5.000% due 02/13/2017 - 01/01/2044	153,983	167,647
5.169% due 08/01/2035	478	514
5.375% due 06/12/2017	8,100	9,267
5.500% due 09/01/2017 - 01/01/2044	235,276	258,952
6.000% due 09/01/2016 - 05/01/2041	197,009	218,653
6.500% due 11/01/2034	66	74
7.000% due 04/25/2023 - 06/01/2032	881	1,017
Freddie Mac		
0.317% due 07/15/2019	1,258	1,256
0.467% due 05/15/2036	2,113	2,115
0.617% due 11/15/2030	10	10
0.667% due 09/15/2030	10	10
0.867% due 08/15/2037	17,505	17,583
0.875% due 03/07/2018	3,300	3,208
0.887% due 05/15/2037	508	509
1.000% due 03/08/2017 - 09/29/2017	184,000	183,332
1.250% due 05/12/2017 - 10/02/2019	43,300	41,652
1.342% due 02/25/2045	320	324
1.750% due 05/30/2019	2,800	2,753
2.482% due 07/01/2027 - 01/01/2028	1	2
2.533% due 07/01/2030	1	1
3.750% due 03/27/2019	2,000	2,182
4.000% due 04/01/2029 - 01/01/2044	139,449	143,503
4.500% due 03/01/2029 - 01/01/2044	120,931	128,370
5.500% due 08/23/2017 - 10/01/2038	8,381	9,213
6.000% due 07/01/2016 - 01/01/2044	11,543	12,759
6.500% due 06/01/2016 - 10/01/2037	145	160
7.000% due 06/15/2023	423	475
7.500% due 07/15/2030 - 03/01/2032	92	107
8.500% due 08/01/2024	5	6
Ginnie Mae		
0.767% due 02/16/2030	$ 90	$ 91
1.625% due 04/20/2026 - 02/20/2032	312	325
2.000% due 07/20/2030	4	4
6.000% due 12/15/2038 - 11/15/2039	102	113
7.000% due 11/20/2029	41	43
Small Business Administration		
5.130% due 09/01/2023	22	24
6.290% due 01/01/2021	34	37
7.500% due 04/01/2017	101	107
Total U.S. Government Agencies (Cost $3,744,230)		**3,747,536**
U.S. TREASURY OBLIGATIONS 37.1%		
U.S. Treasury Inflation Protected Securities (b)		
0.125% due 04/15/2017 (i)	6,786	6,980
0.125% due 01/15/2022	163,447	157,049
0.125% due 07/15/2022	104,199	99,799
0.375% due 07/15/2023	20,172	19,444
0.625% due 07/15/2021	36,060	36,608
1.125% due 01/15/2021	49,431	51,951
1.250% due 07/15/2020	26,130	27,961
1.750% due 01/15/2028	69,675	74,571
2.000% due 01/15/2026	56,952	63,087
2.375% due 01/15/2025	98,747	113,529
2.375% due 01/15/2027	34,279	39,487
2.500% due 01/15/2029	30,567	35,887
3.625% due 04/15/2028	11,696	15,466
3.875% due 04/15/2029	31,396	43,019
U.S. Treasury Notes		
0.250% due 12/31/2015	4,100	4,089
0.375% due 01/15/2016	30,200	30,191
0.500% due 12/15/2016 (e)	508,100	506,016
0.500% due 07/31/2017	33,300	32,595
0.625% due 07/15/2016	14,000	14,017
0.625% due 10/15/2016	88,100	87,938
0.625% due 11/15/2016 (e)	355,100	354,018
0.625% due 05/31/2017 (i)	66,178	65,320
0.625% due 08/31/2017	15,700	15,406
0.750% due 12/31/2017	15,600	15,251
0.750% due 02/28/2018	160,900	156,620
0.750% due 03/31/2018	41,400	40,215
0.875% due 09/15/2016	58,700	59,051
0.875% due 12/31/2016	31,600	31,674
0.875% due 01/31/2017	49,500	49,554
0.875% due 02/28/2017	53,400	53,392
0.875% due 04/30/2017	83,800	83,551
1.000% due 08/31/2016	5,900	5,955
1.000% due 03/31/2017	491,600	492,733
1.250% due 10/31/2018	207,800	203,620
1.250% due 11/30/2018	379,300	370,988
1.375% due 07/31/2018	4,000	3,962
1.500% due 07/31/2016	12,600	12,888
1.500% due 08/31/2018 (g)(i)	297,800	296,160
1.500% due 12/31/2018	13,700	13,539
1.750% due 05/31/2016	3,700	3,807
3.000% due 02/28/2017	3,000	3,197
3.125% due 01/31/2017	1,500	1,604
3.250% due 03/31/2017	8,100	8,706
Total U.S. Treasury Obligations (Cost $3,881,756)		**3,800,895**
MORTGAGE-BACKED SECURITIES 4.7%		
American Home Mortgage Investment Trust		
2.355% due 02/25/2045	1,263	1,253

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Arran Residential Mortgages Funding PLC			
1.617% due 05/16/2047	EUR	8,504	$ 11,865
Banc of America Commercial Mortgage Trust			
5.451% due 01/15/2049	$	11,600	12,571
5.734% due 05/10/2045		6,400	6,987
Banc of America Funding Corp.			
2.632% due 05/25/2035		1,480	1,502
6.000% due 03/25/2037 ^		9,993	8,870
Banc of America Mortgage Trust			
2.875% due 05/25/2033		1,935	1,913
6.500% due 10/25/2031		140	149
BCAP LLC Trust			
5.222% due 03/26/2037		1,284	1,185
Bear Stearns Adjustable Rate Mortgage Trust			
2.363% due 02/25/2033		14	14
2.380% due 02/25/2036		214	212
2.572% due 04/25/2033		267	272
2.588% due 01/25/2035		788	764
2.743% due 11/25/2030		1	2
2.747% due 11/25/2034		4,249	4,176
2.761% due 01/25/2034		646	649
2.830% due 04/25/2034		1,222	1,207
2.838% due 02/25/2033		48	44
2.912% due 07/25/2034		1,416	1,365
3.082% due 11/25/2034		994	1,013
5.249% due 01/25/2035		438	446
Bear Stearns Alt-A Trust			
2.649% due 05/25/2035		3,400	3,239
2.708% due 09/25/2035		2,030	1,784
Bear Stearns Commercial Mortgage Securities Trust			
5.331% due 02/11/2044		1,000	1,088
5.700% due 06/11/2050		7,800	8,779
5.703% due 06/11/2050		6,396	6,611
Bear Stearns Structured Products, Inc.			
2.502% due 01/26/2036		4,136	3,160
2.591% due 12/26/2046		2,326	1,407
Chase Mortgage Finance Trust			
4.834% due 01/25/2036 ^		5,956	5,646
Citigroup Mortgage Loan Trust, Inc.			
2.510% due 10/25/2035		616	604
2.630% due 05/25/2035		2,142	2,057
Citigroup/Deutsche Bank Commercial Mortgage Trust			
5.322% due 12/11/2049		1,600	1,755
Countrywide Alternative Loan Trust			
0.335% due 05/25/2047		4,347	3,723
0.345% due 05/25/2047		3,035	2,466
0.355% due 09/25/2046 ^		41,690	30,344
0.365% due 05/25/2036		11,425	8,808
6.000% due 02/25/2037 ^		14,924	11,215
Countrywide Home Loan Mortgage Pass-Through Trust			
2.417% due 02/20/2036		824	731
2.504% due 11/25/2034		2,690	2,493
2.526% due 02/20/2035		4,520	4,344
6.000% due 03/25/2037 ^		5,111	4,636
Credit Suisse Commercial Mortgage Trust			
5.297% due 12/15/2039		6,225	6,702
5.383% due 02/15/2040		516	558
Credit Suisse First Boston Mortgage Securities Corp.			
4.828% due 06/25/2032		20	19
Deutsche ALT-A Securities, Inc.			
0.665% due 02/25/2035		765	704
Epic Opera Arlington Ltd.			
0.764% due 07/28/2016	GBP	4,428	7,311
First Horizon Alternative Mortgage Securities			
2.238% due 09/25/2035	$	106	93
2.250% due 08/25/2035		6,588	5,917
First Horizon Mortgage Pass-Through Trust			
2.583% due 10/25/2035	$	6,848	$ 5,990
First Nationwide Mortgage-Backed Pass-Through Trust			
6.750% due 08/21/2031		2	2
Granite Master Issuer PLC			
0.367% due 12/20/2054		2,989	2,958
0.809% due 12/20/2054	GBP	3,015	4,953
Granite Mortgages PLC			
0.578% due 09/20/2044	EUR	291	400
0.604% due 01/20/2044		294	404
0.897% due 01/20/2044	GBP	446	735
0.904% due 09/20/2044		2,316	3,810
Greenpoint Mortgage Pass-Through Certificates			
2.792% due 10/25/2033	$	1,608	1,593
Greenwich Capital Commercial Funding Corp.			
4.799% due 08/10/2042		400	411
5.317% due 06/10/2036		340	342
5.444% due 03/10/2039		3,400	3,740
GS Mortgage Securities Trust			
5.396% due 08/10/2038		701	708
GSR Mortgage Loan Trust			
2.648% due 09/25/2035		7,209	7,178
5.032% due 11/25/2035		2,101	2,068
HarborView Mortgage Loan Trust			
0.356% due 01/19/2038		6,865	5,633
0.386% due 05/19/2035		648	570
0.416% due 01/19/2036		13,508	9,039
0.496% due 01/19/2035		6,596	4,720
0.916% due 10/19/2035		4,842	4,094
2.746% due 07/19/2035		2,626	2,274
Holmes Master Issuer PLC			
1.577% due 10/15/2054	EUR	3,582	4,950
IndyMac Adjustable Rate Mortgage Trust			
1.782% due 01/25/2032	$	2	2
IndyMac Mortgage Loan Trust			
0.375% due 04/25/2046		7,382	5,734
JPMorgan Chase Commercial Mortgage Securities Trust			
4.158% due 01/12/2039		1,906	1,911
5.336% due 05/15/2047		6,800	7,454
5.420% due 01/15/2049		20,956	23,021
5.882% due 02/15/2051		1,770	1,984
JPMorgan Commercial Mortgage-Backed Securities Trust			
5.683% due 03/18/2051		10,252	11,176
JPMorgan Mortgage Trust			
2.288% due 06/25/2035		941	938
2.665% due 10/25/2036		10,000	8,362
2.722% due 08/25/2034		9,703	9,693
3.554% due 02/25/2035		617	621
5.750% due 01/25/2036 ^		1,216	1,118
MASTR Adjustable Rate Mortgages Trust			
0.879% due 01/25/2047 ^		6,533	4,169
Merrill Lynch Floating Trust			
0.706% due 07/09/2021		7,622	7,607
Merrill Lynch Mortgage Investors Trust			
0.375% due 02/25/2036		2,670	2,449
0.415% due 11/25/2035		368	339
1.165% due 10/25/2035		1,026	1,010
2.124% due 04/25/2035		10,532	9,974
Merrill Lynch/Countrywide Commercial Mortgage Trust			
5.485% due 03/12/2051		5,500	6,059
Morgan Stanley Capital Trust			
5.610% due 04/15/2049		3,179	3,202
Morgan Stanley Re-REMIC Trust			
5.804% due 08/12/2045		2,200	2,408
Prime Mortgage Trust			
0.565% due 02/25/2019		4	4
0.565% due 02/25/2034		223	211
0.665% due 02/25/2035	$	8,847	$ 8,160
Residential Accredit Loans, Inc. Trust			
0.265% due 05/25/2037		16,407	11,107
0.350% due 08/25/2036		11,816	8,703
3.590% due 12/25/2035		973	777
Residential Asset Securitization Trust			
0.615% due 10/25/2035		3,776	3,285
Residential Funding Mortgage Securities, Inc. Trust			
5.500% due 11/25/2035		4,200	3,966
6.000% due 06/25/2037 ^		7,632	6,626
Silenus European Loan Conduit Ltd.			
0.368% due 05/15/2019	EUR	462	618
Structured Adjustable Rate Mortgage Loan Trust			
0.365% due 04/25/2047	$	4,473	3,170
5.038% due 05/25/2036		1,285	1,282
5.054% due 07/25/2035 ^		623	552
Structured Asset Mortgage Investments Trust			
0.416% due 07/19/2035		4,059	3,988
0.826% due 09/19/2032		59	57
Structured Asset Securities Corp. Mortgage Pass-Through Certificates			
2.125% due 07/25/2032		6	6
2.516% due 02/25/2032		7	8
Suntrust Adjustable Rate Mortgage Loan Trust			
4.421% due 02/25/2037 ^		6,201	5,191
Thornburg Mortgage Securities Trust			
5.750% due 06/25/2047		31,294	29,339
Wachovia Bank Commercial Mortgage Trust			
0.247% due 06/15/2020		1,968	1,949
5.509% due 04/15/2047		3,200	3,499
Wachovia Mortgage Loan Trust LLC			
2.790% due 05/20/2036 ^		10,226	8,731
WaMu Mortgage Pass-Through Certificates			
0.455% due 10/25/2045		696	650
0.485% due 01/25/2045		6,666	6,435
1.343% due 11/25/2042		326	308
1.543% due 08/25/2042		788	732
4.256% due 12/25/2036 ^		831	746
4.784% due 07/25/2037 ^		6,260	5,748
Wells Fargo Mortgage-Backed Securities Trust			
2.615% due 12/25/2034		1,660	1,682
2.615% due 01/25/2035		2,152	2,135
2.628% due 03/25/2036		3,188	3,189
Total Mortgage-Backed Securities (Cost $449,501)			**481,310**

ASSET-BACKED SECURITIES 2.2%

Accredited Mortgage Loan Trust			
0.295% due 02/25/2037		6,061	5,648
Amortizing Residential Collateral Trust			
0.705% due 06/25/2032		150	143
Bear Stearns Asset-Backed Securities Trust			
0.255% due 06/25/2047		46	46
0.315% due 11/25/2036		20,874	14,669
0.325% due 08/25/2036		2,736	1,865
Concord Real Estate CDO Ltd.			
0.445% due 12/25/2046		4,343	4,322
Countrywide Asset-Backed Certificates			
0.295% due 11/25/2037		20,804	20,427
Credit-Based Asset Servicing and Securitization LLC			
0.225% due 11/25/2036		187	101
EMC Mortgage Loan Trust			
0.905% due 05/25/2040		225	202
First Franklin Mortgage Loan Trust			
0.655% due 09/25/2035		2,800	2,524
Fremont Home Loan Trust			
0.225% due 01/25/2037		104	52

See Accompanying Notes

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Gracechurch Card Funding PLC			
1.069% due 01/15/2016	EUR	26,300	$ 36,186
Hillmark Funding			
0.489% due 05/21/2021	$	24,100	23,489
HSBC Home Equity Loan Trust			
0.457% due 01/20/2034		3,113	3,098
JPMorgan Mortgage Acquisition Trust			
0.225% due 03/25/2047		938	900
Lafayette CLO Ltd.			
1.642% due 09/06/2022		4,578	4,575
Lehman XS Trust			
0.345% due 06/25/2036		6,668	4,585
Long Beach Mortgage Loan Trust			
0.725% due 10/25/2034		156	149
3.165% due 11/25/2032		50	42
MASTR Asset-Backed Securities Trust			
0.405% due 03/25/2036		7,515	4,067
0.455% due 12/25/2035		10,000	8,586
Morgan Stanley ABS Capital, Inc. Trust			
0.415% due 08/25/2036		20,000	10,702
NovaStar Mortgage Funding Trust			
0.405% due 11/25/2036		4,436	1,969
Penta CLO S.A.			
0.551% due 06/04/2024	EUR	2,324	3,080
Residential Asset Securities Corp. Trust			
0.325% due 06/25/2036	$	9,833	9,209
0.365% due 02/25/2036		2,281	2,234
0.745% due 05/25/2035		1,397	1,306
Securitized Asset-Backed Receivables LLC Trust			
0.295% due 05/25/2037 ^		1,887	1,164
Sherwood Castle Funding PLC			
0.487% due 03/15/2016	EUR	12,000	16,499
SLM Student Loan Trust			
0.537% due 12/15/2023		14,768	20,012
2.817% due 12/16/2019	$	1,900	1,930
Structured Asset Securities Corp.			
0.335% due 12/25/2036		9,900	7,280
Structured Asset Securities Corp. Mortgage Pass-Through Certificates			
0.745% due 01/25/2033		37	34
Washington Mutual Asset-Backed Certificates Trust			
0.405% due 05/25/2036		15,000	9,490
Wells Fargo Home Equity Asset-Backed Securities Trust			
0.755% due 11/25/2035		1,800	1,532
Total Asset-Backed Securities (Cost $210,726)			**222,117**

SOVEREIGN ISSUES 4.6%

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Autonomous Community of Valencia			
4.375% due 07/16/2015	EUR	700	987
Banco Nacional de Desenvolvimento Economico e Social			
3.375% due 09/26/2016	$	3,200	3,240
4.125% due 09/15/2017	EUR	2,300	3,289
Brazil Letras do Tesouro Nacional			
0.000% due 01/01/2017	BRL	22,000	6,569
Brazil Notas do Tesouro Nacional			
10.000% due 01/01/2017		2,300	924
Italy Buoni Poliennali Del Tesoro			
2.500% due 03/01/2015	EUR	14,300	20,024
2.750% due 12/01/2015		31,300	44,302
3.000% due 11/01/2015		34,600	49,128
3.750% due 08/01/2015		1,500	2,145
4.500% due 07/15/2015		1,800	2,601
6.000% due 11/15/2014		2,200	3,162
Italy Certificati Di Credito Del Tesoro			
0.000% due 12/31/2014		7,700	10,503
0.000% due 06/30/2015		11,600	15,692
Junta de Castilla y Leon			
6.270% due 02/19/2018	EUR	9,700	$ 14,951
6.505% due 03/01/2019		7,400	11,682
Korea Housing Finance Corp.			
4.125% due 12/15/2015	$	2,100	2,219
Mexico Government International Bond			
10.000% due 12/05/2024	MXN	176,000	17,246
Province of Ontario			
1.000% due 07/22/2016	$	2,500	2,510
1.600% due 09/21/2016		300	306
1.650% due 09/27/2019		2,800	2,688
3.000% due 07/16/2018		3,700	3,884
3.150% due 06/02/2022	CAD	14,200	13,159
4.000% due 10/07/2019	$	700	758
4.000% due 06/02/2021	CAD	26,500	26,446
4.200% due 03/08/2018		1,100	1,120
4.200% due 06/02/2020		12,500	12,730
4.300% due 03/08/2017		900	916
4.400% due 06/02/2019		8,000	8,237
4.400% due 04/14/2020	$	600	659
5.500% due 06/02/2018	CAD	2,300	2,459
Province of Quebec			
2.750% due 08/25/2021	$	17,100	16,502
3.500% due 07/29/2020		3,000	3,115
3.500% due 12/01/2022	CAD	17,100	16,102
4.250% due 12/01/2021		31,200	31,394
4.500% due 12/01/2017		700	720
4.500% due 12/01/2019		800	827
4.500% due 12/01/2020		2,500	2,580
Spain Government International Bond			
2.750% due 03/31/2015	EUR	1,700	2,385
3.150% due 01/31/2016		32,800	46,580
3.300% due 10/31/2014		100	140
3.750% due 10/31/2015		34,200	49,054
4.000% due 07/30/2015		15,400	21,995
Total Sovereign Issues (Cost $476,830)			**475,930**

	SHARES	
PREFERRED SECURITIES 0.2%		
BANKING & FINANCE 0.2%		
DG Funding Trust		
0.554% due 01/30/2014 (c)	1,239	8,773
GMAC Capital Trust		
8.125% due 02/15/2040	500,000	13,370
Total Preferred Securities (Cost $26,130)		**22,143**

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
SHORT-TERM INSTRUMENTS 4.3%			
CERTIFICATES OF DEPOSIT 0.5%			
Banco do Brasil S.A.			
0.000% due 01/24/2014	$	6,100	6,095
Itau Unibanco Holding S.A.			
0.000% due 10/31/2014	$	45,200	$ 44,701
			50,796
COMMERCIAL PAPER 0.2%			
Ford Motor Credit Co.			
0.850% due 06/16/2014		3,400	3,391
0.880% due 07/14/2014		7,400	7,377
0.900% due 08/05/2014		7,500	7,473
			18,241

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
REPURCHASE AGREEMENTS (d) 0.9%			
			$ 97,039
ITALY TREASURY BILLS 2.5%			
0.872% due 09/12/2014 - 11/14/2014 (a)	EUR	186,500	255,003
MEXICO TREASURY BILLS 0.0%			
3.478% due 01/23/2014 - 02/06/2014 (a)	MXN	200	15
SPAIN TREASURY BILLS 0.0 %			
0.858% due 10/17/2014 (a)	EUR	200	273
U.S. TREASURY BILLS 0.2%			
0.113% due 01/16/2014 - 12/11/2014 (a)(e)(i)	$	17,093	17,078
Total Short-Term Instruments (Cost $436,710)			**438,445**
Total Investments in Securities (Cost $11,133,367)			**11,206,211**

	SHARES	
INVESTMENTS IN AFFILIATES 4.0%		
SHORT-TERM INSTRUMENTS 4.0%		
CENTRAL FUNDS USED FOR CASH MANAGEMENT PURPOSES 4.0%		
PIMCO Short-Term Floating NAV Portfolio	1,715	17
PIMCO Short-Term Floating NAV Portfolio III	41,267,659	412,223
Total Short-Term Instruments (Cost $412,490)		**412,240**
Total Investments in Affiliates (Cost $412,490)		**412,240**
Total Investments 113.4% (Cost $11,545,857)		**$ 11,618,451**
Financial Derivative Instruments (f)(h) (0.1%) (Cost or Premiums, net $(6,408))		**(9,127)**
Other Assets and Liabilities, net (13.3%)		**(1,360,912)**
Net Assets 100.0%		**$ 10,248,412**

NOTES TO SCHEDULE OF INVESTMENTS (AMOUNTS IN THOUSANDS*, EXCEPT NUMBER OF CONTRACTS):

* A zero balance may reflect actual amounts rounding to less than one thousand.

^ Security is in default.

(a) Coupon represents a weighted average yield to maturity.

(b) Principal amount of security is adjusted for inflation.

(c) Perpetual maturity, date shown represents next contractual call date.

BORROWINGS AND OTHER FINANCING TRANSACTIONS

(d) REPURCHASE AGREEMENTS:

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral Received, at Value	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received [1]
BCY	0.010%	12/31/2013	01/02/2014	$ 93,600	U.S. Treasury Notes 0.625% - 2.375% due 11/30/2017 - 12/31/2020	$ (95,362)	$ 93,600	$ 93,600
SSB	0.000%	12/31/2013	01/02/2014	3,439	Freddie Mac 2.100% due 10/17/2022	(3,509)	3,439	3,439
Total Repurchase Agreements						**$ (98,871)**	**$ 97,039**	**$ 97,039**

[1] Includes accrued interest.

SALE-BUYBACK TRANSACTIONS:

Counterparty	Borrowing Rate	Borrowing Date	Maturity Date	Amount Borrowed [2]	Payable for Sale-Buyback Transactions [3]
BCY	(0.540%)	12/31/2013	01/02/2014	$ (50,807)	$ (50,807)
	(0.350%)	12/31/2013	01/02/2014	(22,954)	(22,954)
	(0.240%)	12/31/2013	01/02/2014	(19,960)	(19,960)
Total Sale-Buyback Transactions					**$ (93,721)**

[2] As of December 31, 2013, there were no open reverse repurchase agreements. The average amount of borrowings outstanding during the period ended December 31, 2013 was $84,367 at a weighted average interest rate of (0.328%).

[3] Payable for sale-buyback transactions includes $3 of deferred price drop on sale-buyback transactions.

BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral (received)/pledged as of December 31, 2013:

(e) Securities with an aggregate market value of $100,193 have been pledged as collateral under the terms of the following master agreements as of December 31, 2013.

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Payable for Short Sales	Total Borrowings and Other Financing Transactions	Collateral (Received)/Pledged	Net Exposure [4]
Global/Master Repurchase Agreement							
BCY	$ 93,600	$ 0	$ 0	$ 0	$ 93,600	$ (95,362)	$ (1,762)
SSB	3,439	0	0	0	3,439	(3,509)	(70)
Master Securities Forward Transaction Agreement							
BCY	0	0	(93,721)	0	(93,721)	93,630	(91)
BOA	0	0	0	0	0	1,290	1,290
DEU	0	0	0	0	0	70	70
FOB	0	0	0	0	0	3,048	3,048
GRE	0	0	0	0	0	280	280
GSC	0	0	0	0	0	660	660
JPS	0	0	0	0	0	340	340
MSC	0	0	0	0	0	(1,724)	(1,724)
SAL	0	0	0	0	0	(434)	(434)
WFS	0	0	0	0	0	350	350
Total Borrowings and Other Financing Transactions	**$ 97,039**	**$ 0**	**$ (93,721)**	**$ 0**			

[4] Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

(f) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED

WRITTEN OPTIONS:

OPTIONS ON EXCHANGE-TRADED FUTURES CONTRACTS

Description	Strike Price	Expiration Date	# of Contracts	Premiums (Received)	Market Value
Put - CME 3-Year Mid-Curve on Eurodollar March Futures	$ 97.375	03/14/2014	864	$ (304)	$ (432)
Total Written Options				**$ (304)**	**$ (432)**

FUTURES CONTRACTS:

Description	Type	Expiration Month	# of Contracts	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
3-Month Euribor December Futures	Long	12/2014	289	$ (59)	$ 15	$ (30)
3-Month Euribor June Futures	Long	06/2015	289	(119)	20	(40)
3-Month Euribor March Futures	Long	03/2015	289	(89)	15	(35)
3-Month Euribor September Futures	Long	09/2015	289	(150)	19	(45)
90-Day Eurodollar December Futures	Long	12/2014	1,692	(80)	0	(42)
90-Day Eurodollar December Futures	Long	12/2015	16,852	(3,433)	0	(843)
90-Day Eurodollar December Futures	Long	12/2016	241	(178)	0	(18)
90-Day Eurodollar June Futures	Long	06/2015	5,127	(1,203)	0	(192)
90-Day Eurodollar June Futures	Long	06/2016	1,144	(681)	0	(57)
90-Day Eurodollar March Futures	Long	03/2015	227	14	0	(6)
90-Day Eurodollar March Futures	Long	03/2016	5,946	(3,477)	0	(297)
90-Day Eurodollar September Futures	Long	09/2015	7,448	316	0	(372)
90-Day Eurodollar September Futures	Long	09/2016	3,660	232	0	(229)
U.S. Treasury 5-Year Note March Futures	Long	03/2014	8,312	(12,852)	0	(779)
U.S. Treasury 10-Year Note March Futures	Long	03/2014	2,892	(6,601)	0	(497)
Total Futures Contracts				**$ (28,360)**	**$ 69**	**$ (3,482)**

SWAP AGREEMENTS:

INTEREST RATE SWAPS

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Market Value	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
Pay	1-Day USD-Federal Funds Rate Compounded-OIS	1.000%	10/15/2017	$ 130,400	$ (1,809)	$ (1,656)	$ 0	$ (121)
Pay	3-Month USD-LIBOR	1.500%	03/18/2016	1,221,100	8,087	66	0	(319)
Pay	3-Month USD-LIBOR	1.500%	12/16/2016	903,900	(948)	(1,670)	0	(281)
Pay	3-Month USD-LIBOR	3.000%	09/21/2017	782,900	3,822	(3,569)	0	(518)
Receive	3-Month USD-LIBOR	4.250%	06/15/2041	34,800	(2,147)	6,989	473	0
Receive	3-Month USD-LIBOR	2.750%	06/19/2043	378,600	82,388	57,658	4,339	0
Receive	3-Month USD-LIBOR	3.500%	12/18/2043	283,400	22,500	8,915	3,614	0
Receive	6-Month JPY-LIBOR	1.000%	09/18/2023	JPY 11,470,000	(1,217)	(1,807)	364	0
					$ 110,676	$ 64,926	$ 8,790	$ (1,239)
Total Swap Agreements					**$ 110,676**	**$ 64,926**	**$ 8,790**	**$ (1,239)**

FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED SUMMARY

The following is a summary of the market value and variation margin of Exchange-Traded or Centrally Cleared Financial Derivative Instruments as of December 31, 2013:

(g) Securities with an aggregate market value of $14,801 and cash of $67,334 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of December 31, 2013. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

	Financial Derivative Assets				Financial Derivative Liabilities			
	Market Value	Variation Margin Asset			Market Value	Variation Margin Liability		
	Purchased Options	Futures	Swap Agreements	Total	Written Options	Futures	Swap Agreements	Total
Total Exchange-Traded or Centrally Cleared	**$ 0**	**$ 69**	**$ 8,790**	**$ 8,859**	**$ (432)**	**$ (3,482)**	**$ (1,239)**	**$ (5,153)**

(h) FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER

FORWARD FOREIGN CURRENCY CONTRACTS:

Counterparty	Settlement Month	Currency to be Delivered	Currency to be Received	Unrealized Appreciation/ (Depreciation) Asset	Liability
BPS	02/2014	JPY 1,672,900	$ 16,242	$ 353	$ 0
	02/2014	MXN 99	8	0	0
	03/2014	EUR 104,327	137,500	0	(6,020)
	03/2014	$ 1,194	MXN 15,563	0	(8)
	04/2014	EUR 200	$ 253	0	(22)
	06/2014	300	379	0	(33)
	07/2014	200	253	0	(22)
	08/2014	300	380	0	(33)
BRC	01/2014	BRL 208	89	1	0
	01/2014	$ 89	BRL 208	0	(1)
	03/2014	GBP 10,699	$ 17,506	0	(203)
CBK	01/2014	BRL 296	126	1	0
	01/2014	EUR 2,413	3,294	0	(26)
	01/2014	$ 127	BRL 296	0	(2)
	01/2014	14,222	EUR 10,485	203	0
	02/2014	EUR 122,125	$ 167,602	0	(403)
	04/2014	1,400	1,774	0	(152)
DUB	01/2014	BRL 77,514	34,236	1,381	0
	01/2014	$ 33,089	BRL 77,514	0	(234)
	02/2014	JPY 4,169,900	$ 40,212	607	0
	03/2014	CAD 130,080	122,048	0	(179)
	03/2014	$ 1,027	GBP 628	13	0
FBF	01/2014	JPY 723,840	$ 6,900	26	0
	06/2014	EUR 2,000	2,536	0	(216)
GLM	02/2014	25,398	33,999	0	(940)
	03/2014	4,577	6,114	0	(182)
HUS	01/2014	BRL 197	84	1	0
	01/2014	EUR 3,705	5,063	0	(33)
	01/2014	$ 85	BRL 197	0	(1)
	02/2014	JPY 2,815,200	$ 28,350	1,612	0
	03/2014	$ 1,081	MXN 13,983	0	(16)
JPM	01/2014	BRL 237	$ 101	1	0
	01/2014	EUR 62,994	84,796	0	(1,865)
	01/2014	MXN 99	8	0	0
	01/2014	$ 101	BRL 237	0	0
	02/2014	EUR 81,515	$ 111,443	1	(696)
MSC	01/2014	BRL 76,576	32,689	231	0
	01/2014	$ 32,552	BRL 76,576	0	(94)
	02/2014	BRL 18,529	$ 7,870	79	0
RYL	01/2014	EUR 7,740	10,529	0	(120)
	03/2014	74,169	99,172	0	(2,860)
UAG	01/2014	$ 90,691	EUR 66,367	611	0
	02/2014	EUR 66,367	$ 90,691	0	(608)
Total Forward Foreign Currency Contracts				**$ 5,121**	**$ (14,969)**

WRITTEN OPTIONS:

INTEREST RATE SWAPTIONS

Counterparty	Description	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
BOA	Call - OTC 1-Year Interest Rate Swap	6-Month EUR-EURIBOR	Receive	0.400%	03/12/2014	EUR 58,400	$ (109)	$ (87)
	Put - OTC 1-Year Interest Rate Swap	6-Month EUR-EURIBOR	Pay	0.400%	03/12/2014	58,400	(130)	(19)
BRC	Call - OTC 1-Year Interest Rate Swap	6-Month EUR-EURIBOR	Receive	0.400%	03/12/2014	14,200	(28)	(21)
	Put - OTC 1-Year Interest Rate Swap	6-Month EUR-EURIBOR	Pay	0.400%	03/12/2014	14,200	(31)	(5)
CBK	Call - OTC 10-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.650%	03/03/2014	$ 18,100	(78)	(5)
	Put - OTC 10-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	3.100%	03/03/2014	18,100	(217)	(269)
DUB	Put - OTC 10-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	3.100%	03/03/2014	57,700	(805)	(859)
	Call - OTC 10-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.400%	03/17/2014	28,700	(89)	(1)
	Put - OTC 10-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.900%	03/17/2014	28,700	(459)	(846)

See Accompanying Notes

Counterparty	Description	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
GLM	Call - OTC 1-Year Interest Rate Swap	6-Month EUR-EURIBOR	Receive	0.400%	03/12/2014	EUR 14,200	$ (29)	$ (21)
	Put - OTC 1-Year Interest Rate Swap	6-Month EUR-EURIBOR	Pay	0.400%	03/12/2014	14,200	(29)	(5)
	Put - OTC 2-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.000%	03/31/2014	$ 179,500	(196)	(332)
	Call - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.400%	01/27/2014	549,600	(1,004)	(4)
	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.000%	01/27/2014	549,600	(3,457)	(777)
	Call - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.400%	05/06/2014	58,700	(151)	(23)
	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	1.900%	05/06/2014	58,700	(499)	(740)
	Call - OTC 10-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.600%	03/03/2014	29,500	(176)	(5)
MYC	Put - OTC 2-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.000%	03/31/2014	590,200	(1,549)	(1,090)
	Call - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.300%	01/27/2014	91,400	(97)	0
	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	1.800%	01/27/2014	91,400	(433)	(436)
	Call - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.400%	05/06/2014	76,900	(189)	(30)
RYL	Call - OTC 10-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.500%	01/27/2014	27,400	(164)	0
	Put - OTC 10-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	3.500%	01/27/2014	27,400	(218)	(15)
	Call - OTC 10-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.500%	03/03/2014	45,500	(166)	(3)
							$ (10,303)	$ (5,593)

CREDIT DEFAULT SWAPTIONS ON CREDIT INDICES

Counterparty	Description	Buy/Sell Protection	Exercise Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
BPS	Call - OTC CDX.IG-21 5-Year Index	Buy	0.600%	03/19/2014	$ 25,600	$ (15)	$ (24)
	Put - OTC CDX.IG-21 5-Year Index	Sell	0.900%	03/19/2014	25,600	(31)	(11)
	Call - OTC iTraxx Europe 20 5-Year Index	Buy	0.700%	03/19/2014	EUR 15,100	(14)	(39)
	Put - OTC iTraxx Europe 20 5-Year Index	Sell	1.100%	03/19/2014	15,100	(38)	(7)
JPM	Call - OTC CDX.IG-21 5-Year Index	Buy	0.600%	03/19/2014	$ 15,000	(6)	(14)
	Put - OTC CDX.IG-21 5-Year Index	Sell	0.900%	03/19/2014	15,000	(25)	(7)
						$ (129)	$ (102)

INFLATION-CAPPED OPTIONS

Counterparty	Description	Initial Index	Floating Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
CBK	Floor - OTC CPURNSA Index	215.949	Maximum of [(1 + 0.000%)^{10} - (Final Index/Initial Index)] or 0	03/12/2020	$ 13,700	$ (116)	$ (15)
	Floor - OTC CPURNSA Index	216.687	Maximum of [(1 + 0.000%)^{10} - (Final Index/Initial Index)] or 0	04/07/2020	32,900	(293)	(35)
	Floor - OTC CPURNSA Index	217.965	Maximum of [(1 + 0.000%)^{10} - (Final Index/Initial Index)] or 0	09/29/2020	14,800	(191)	(15)
DUB	Floor - OTC CPURNSA Index	215.949	Maximum of [0.000% - (Final Index/Initial Index - 1)] or 0	03/10/2020	4,900	(37)	(4)
	Floor - OTC CPURNSA Index	218.011	Maximum of [0.000% - (Final Index/Initial Index - 1)] or 0	10/13/2020	15,400	(151)	(13)
						$ (788)	$ (82)
Total Written Options						**$ (11,220)**	**$ (5,777)**

TRANSACTIONS IN WRITTEN CALL AND PUT OPTIONS FOR THE PERIOD ENDED DECEMBER 31, 2013:

	# of Contracts	Notional Amount in $	Notional Amount in EUR	Premiums
Balance at 12/31/2012	0	$ 1,202,900	EUR 19,000	$ (7,623)
Sales	2,932	7,469,600	331,200	(27,657)
Closing Buys	0	(202,900)	0	965
Expirations	(1,174)	(4,380,800)	(146,400)	17,395
Exercised	(894)	(1,398,800)	0	5,396
Balance at 12/31/2013	864	$ 2,690,000	EUR 203,800	$ (11,524)

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CORPORATE, SOVEREIGN AND U.S. TREASURY OBLIGATION ISSUES - SELL PROTECTION [1]

Counterparty	Reference Entity	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at December 31, 2013 [2]	Notional Amount [3]	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value: Asset	Swap Agreements, at Value: Liability
BOA	Berkshire Hathaway, Inc.	1.000%	03/20/2015	0.175%	$ 5,300	$ (94)	$ 149	$ 55	$ 0
	Brazil Government International Bond	1.000%	09/20/2015	0.895%	700	(6)	8	2	0
	Indonesia Government International Bond	1.000%	06/20/2016	1.215%	18,800	(349)	257	0	(92)
	Indonesia Government International Bond	1.000%	09/20/2016	1.331%	700	(11)	5	0	(6)
	MetLife, Inc.	1.000%	12/20/2014	0.135%	10,800	(143)	238	95	0
	MetLife, Inc.	1.000%	09/20/2015	0.261%	7,500	(492)	591	99	0
	MetLife, Inc.	1.000%	12/20/2015	0.294%	18,100	(865)	1,124	259	0

Counterparty	Reference Entity	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at December 31, 2013 (2)	Notional Amount (3)	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
	Mexico Government International Bond	1.000%	09/20/2015	0.318%	$ 1,200	$ 0	$ 15	$ 15	$ 0
	Mexico Government International Bond	1.000%	12/20/2016	0.492%	1,700	16	10	26	0
	Mexico Government International Bond	1.000%	12/20/2018	0.879%	2,200	(4)	18	14	0
	Prudential Financial, Inc.	1.000%	12/20/2015	0.218%	9,000	(263)	405	142	0
BPS	U.S. Treasury Notes	0.250%	03/20/2016	0.296%	EUR 16,900	(238)	217	0	(21)
BRC	Brazil Government International Bond	1.000%	06/20/2015	0.776%	$ 1,000	(14)	18	4	0
	Brazil Government International Bond	1.000%	09/20/2015	0.895%	2,300	(20)	25	5	0
	Brazil Government International Bond	1.000%	03/20/2016	1.051%	1,100	(7)	6	0	(1)
	Brazil Government International Bond	1.000%	06/20/2016	1.166%	18,400	(27)	(41)	0	(68)
	Brazil Government International Bond	1.000%	12/20/2016	1.335%	31,000	(781)	488	0	(293)
	China Government International Bond	1.000%	12/20/2016	0.391%	2,300	45	(2)	43	0
	China Government International Bond	1.000%	12/20/2018	0.753%	900	9	2	11	0
	Mexico Government International Bond	1.000%	03/20/2015	0.240%	2,900	(65)	93	28	0
CBK	Brazil Government International Bond	1.000%	09/20/2015	0.895%	1,000	(16)	18	2	0
	Brazil Government International Bond	1.000%	06/20/2016	1.166%	51,100	(156)	(33)	0	(189)
	China Government International Bond	1.000%	12/20/2018	0.753%	2,600	24	8	32	0
	General Electric Capital Corp.	3.850%	03/20/2014	0.177%	5,000	0	47	47	0
	JPMorgan Chase & Co.	1.000%	09/20/2014	0.205%	11,000	111	(43)	68	0
	MetLife, Inc.	1.000%	12/20/2015	0.294%	6,900	(251)	350	99	0
	Mexico Government International Bond	1.000%	03/20/2015	0.240%	2,600	(60)	85	25	0
	Mexico Government International Bond	1.000%	09/20/2015	0.318%	1,200	(18)	33	15	0
	Mexico Government International Bond	1.000%	12/20/2018	0.879%	800	(1)	6	5	0
DUB	Bank of America Corp.	1.000%	09/20/2014	0.217%	4,000	31	(7)	24	0
	Brazil Government International Bond	1.000%	06/20/2015	0.776%	6,600	(70)	95	25	0
	Brazil Government International Bond	1.000%	06/20/2016	1.166%	8,100	(20)	(10)	0	(30)
	China Government International Bond	1.000%	12/20/2016	0.391%	2,000	39	(2)	37	0
	Export-Import Bank of China	1.000%	06/20/2017	0.580%	800	(34)	46	12	0
	General Electric Capital Corp.	1.000%	09/20/2015	0.282%	4,300	53	2	55	0
	Indonesia Government International Bond	1.000%	09/20/2015	0.929%	1,100	(26)	28	2	0
	Indonesia Government International Bond	1.000%	06/20/2017	1.625%	5,300	(156)	47	0	(109)
	Mexico Government International Bond	1.000%	03/20/2016	0.359%	15,800	(116)	347	231	0
	Mexico Government International Bond	1.000%	06/20/2016	0.413%	40,900	99	510	609	0
FBF	Brazil Government International Bond	1.000%	06/20/2015	0.776%	8,200	(209)	239	30	0
	Brazil Government International Bond	1.000%	09/20/2015	0.895%	5,500	(69)	81	12	0
	China Government International Bond	1.000%	03/20/2015	0.168%	700	3	4	7	0
	JPMorgan Chase & Co.	1.000%	06/20/2014	0.205%	22,600	201	(108)	93	0
	Vodafone Group PLC	1.000%	03/20/2016	0.154%	3,900	56	19	75	0
GST	Berkshire Hathaway, Inc.	1.000%	03/20/2015	0.175%	2,600	(46)	73	27	0
	Brazil Government International Bond	1.000%	06/20/2015	0.776%	900	(12)	15	3	0
	Japan Government International Bond	1.000%	12/20/2015	0.132%	2,800	69	(20)	49	0
	Mexico Government International Bond	1.000%	06/20/2017	0.582%	500	(5)	12	7	0
	Mexico Government International Bond	1.000%	12/20/2018	0.879%	3,200	(9)	29	20	0
HUS	Brazil Government International Bond	1.000%	09/20/2015	0.895%	3,300	(33)	40	7	0
	Brazil Government International Bond	1.000%	06/20/2016	1.166%	25,400	(37)	(57)	0	(94)
	Mexico Government International Bond	1.000%	09/20/2016	0.456%	1,000	6	9	15	0
	Mexico Government International Bond	1.000%	12/20/2016	0.492%	300	3	2	5	0
	Mexico Government International Bond	1.000%	09/20/2017	0.635%	2,400	(53)	86	33	0
	Mexico Government International Bond	1.000%	12/20/2018	0.879%	1,500	(4)	13	9	0
JPM	Brazil Government International Bond	1.000%	06/20/2015	0.776%	10,900	(120)	160	40	0
	Brazil Government International Bond	1.000%	09/20/2015	0.895%	3,300	(34)	41	7	0
	Brazil Government International Bond	1.000%	09/20/2016	1.259%	5,300	(31)	(4)	0	(35)
	Mexico Government International Bond	0.920%	03/20/2016	0.360%	1,200	0	18	18	0
	Mexico Government International Bond	1.000%	09/20/2016	0.456%	700	4	7	11	0
	Mexico Government International Bond	1.000%	12/20/2016	0.492%	1,600	22	3	25	0
	Mexico Government International Bond	1.000%	12/20/2018	0.879%	4,500	(10)	38	28	0
MYC	Brazil Government International Bond	1.000%	06/20/2015	0.776%	1,500	(14)	20	6	0
	Indonesia Government International Bond	1.000%	09/20/2016	1.331%	5,300	(79)	34	0	(45)
	Mexico Government International Bond	1.000%	09/20/2016	0.456%	7,100	(33)	141	108	0
RYL	China Government International Bond	1.000%	09/20/2016	0.363%	400	3	4	7	0
	Mexico Government International Bond	1.000%	09/20/2015	0.318%	5,400	(63)	128	65	0
SOG	United Kingdom Gilt	1.000%	03/20/2015	0.062%	7,900	34	60	94	0
UAG	Berkshire Hathaway, Inc.	1.000%	03/20/2015	0.175%	2,600	(47)	74	27	0
	Brazil Government International Bond	1.000%	09/20/2015	0.895%	700	(7)	8	1	0
	Indonesia Government International Bond	1.000%	09/20/2016	1.331%	2,400	(38)	17	0	(21)
	Indonesia Government International Bond	1.000%	06/20/2017	1.625%	3,200	(99)	33	0	(66)
	Mexico Government International Bond	1.000%	09/20/2015	0.318%	600	(8)	15	7	0
	U.S. Treasury Notes	0.250%	09/20/2015	0.315%	EUR 26,600	(399)	361	0	(38)
						$ (4,934)	$ 6,748	$ 2,922	$ (1,108)

See Accompanying Notes

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION [1]

Counterparty	Index/Tranches	Fixed Deal Receive Rate	Maturity Date	Notional Amount [3]	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value [4] Asset	Liability
BOA	CMBX.NA.AAA.6 Index	0.500%	05/11/2063	$ 6,100	$ (265)	$ 111	$ 0	$ (154)
BRC	CDX.EM-13 5-Year Index	5.000%	06/20/2015	33,800	4,264	(3,214)	1,050	0
DUB	CDX.EM-12 5-Year Index	5.000%	12/20/2014	2,600	259	(199)	60	0
	CDX.EM-13 5-Year Index	5.000%	06/20/2015	18,400	2,222	(1,650)	572	0
FBF	CDX.EM-13 5-Year Index	5.000%	06/20/2015	1,000	136	(105)	31	0
GST	CDX.EM-13 5-Year Index	5.000%	06/20/2015	400	50	(38)	12	0
	CDX.IG-9 10-Year Index 30-100%	0.548%	12/20/2017	1,833	0	30	30	0
	CMBX.NA.AAA.4 Index	0.350%	02/17/2051	3,055	(80)	33	0	(47)
HUS	CDX.EM-13 5-Year Index	5.000%	06/20/2015	37,700	4,099	(2,928)	1,171	0
JPM	CDX.EM-13 5-Year Index	5.000%	06/20/2015	3,000	345	(252)	93	0
	CDX.IG-9 10-Year Index 30-100%	0.553%	12/20/2017	4,051	0	68	68	0
MYC	CDX.EM-13 5-Year Index	5.000%	06/20/2015	11,000	1,288	(946)	342	0
					$ 12,318	$ (9,090)	$ 3,429	$ (201)

(1) If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate, sovereign or U.S. Treasury obligation issues as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(3) The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(4) The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

INTEREST RATE SWAPS

Counterparty	Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Liability
BOA	Pay	1-Year BRL-CDI	8.860%	01/02/2017	BRL 5,400	$ 4	$ (141)	$ 0	$ (137)
	Pay	1-Year BRL-CDI	10.630%	01/02/2017	6,000	0	(68)	0	(68)
	Pay	28-Day MXN-TIIE	5.500%	09/02/2022	MXN 17,100	(26)	(71)	0	(97)
BPS	Pay	28-Day MXN-TIIE	5.750%	06/05/2023	7,400	(9)	(31)	0	(40)
BRC	Pay	28-Day MXN-TIIE	5.600%	09/06/2016	29,500	15	46	61	0
	Pay	28-Day MXN-TIIE	5.000%	09/13/2017	18,300	(11)	12	1	0
	Pay	28-Day MXN-TIIE	5.500%	09/13/2017	932,000	(264)	1,585	1,321	0
	Pay	28-Day MXN-TIIE	4.750%	02/26/2018	149,000	(108)	(77)	0	(185)
	Pay	28-Day MXN-TIIE	5.250%	06/11/2018	23,100	(15)	10	0	(5)
	Pay	28-Day MXN-TIIE	5.500%	06/11/2018	17,800	(4)	14	10	0
	Pay	28-Day MXN-TIIE	5.500%	09/02/2022	13,000	(26)	(48)	0	(74)
	Pay	28-Day MXN-TIIE	5.750%	09/02/2022	83,000	(7)	(353)	0	(360)
	Pay	28-Day MXN-TIIE	5.750%	06/05/2023	6,500	(19)	(17)	0	(36)
	Pay	28-Day MXN-TIIE	6.000%	06/05/2023	14,900	(25)	(35)	0	(60)
DUB	Pay	1-Year BRL-CDI	9.130%	01/02/2017	BRL 9,000	32	(261)	0	(229)
	Pay	1-Year BRL-CDI	10.630%	01/02/2017	2,000	1	(23)	0	(22)
	Pay	28-Day MXN-TIIE	5.750%	06/05/2023	MXN 14,800	(25)	(56)	0	(81)
GLM	Pay	1-Year BRL-CDI	9.095%	01/02/2017	BRL 6,600	0	(172)	0	(172)
	Pay	1-Year BRL-CDI	10.630%	01/02/2017	2,100	1	(24)	0	(23)
	Pay	28-Day MXN-TIIE	5.500%	09/13/2017	MXN 35,100	(10)	60	50	0
	Pay	28-Day MXN-TIIE	4.750%	02/26/2018	124,600	(95)	(59)	0	(154)
	Pay	28-Day MXN-TIIE	5.250%	06/11/2018	41,700	(26)	18	0	(8)
	Pay	28-Day MXN-TIIE	5.500%	06/11/2018	58,600	(12)	46	34	0
	Pay	28-Day MXN-TIIE	5.500%	09/02/2022	10,000	(23)	(34)	0	(57)
	Pay	28-Day MXN-TIIE	5.750%	06/05/2023	15,600	(39)	(46)	0	(85)
HUS	Pay	28-Day MXN-TIIE	5.600%	09/06/2016	464,500	176	775	951	0
	Pay	28-Day MXN-TIIE	5.000%	09/13/2017	54,900	(35)	39	4	0
	Pay	28-Day MXN-TIIE	5.500%	09/13/2017	50,000	(34)	105	71	0
	Pay	28-Day MXN-TIIE	5.000%	06/11/2018	303,000	(483)	188	0	(295)
	Pay	28-Day MXN-TIIE	5.500%	06/11/2018	19,500	(1)	12	11	0

Counterparty	Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
	Pay	28-Day MXN-TIIE	5.500%	09/02/2022	MXN 161,500	$ (339)	$ (576)	$ 0	$ (915)
	Pay	28-Day MXN-TIIE	5.750%	06/05/2023	18,700	(31)	(71)	0	(102)
JPM	Pay	28-Day MXN-TIIE	5.250%	06/11/2018	18,500	(7)	4	0	(3)
	Pay	28-Day MXN-TIIE	5.500%	06/11/2018	9,200	(1)	6	5	0
	Pay	28-Day MXN-TIIE	6.000%	06/05/2023	21,200	(89)	3	0	(86)
MYC	Pay	1-Year BRL-CDI	9.140%	01/02/2017	BRL 4,000	13	(115)	0	(102)
	Pay	1-Year BRL-CDI	10.630%	01/02/2017	100	0	(1)	0	(1)
	Pay	28-Day MXN-TIIE	5.600%	09/06/2016	MXN 30,400	6	56	62	0
	Pay	28-Day MXN-TIIE	5.500%	09/13/2017	105,000	(58)	207	149	0
	Pay	28-Day MXN-TIIE	5.000%	06/11/2018	196,000	(318)	127	0	(191)
	Pay	28-Day MXN-TIIE	5.250%	06/11/2018	27,600	(16)	10	0	(6)
	Pay	28-Day MXN-TIIE	5.500%	06/11/2018	51,400	(11)	41	30	0
	Pay	28-Day MXN-TIIE	6.350%	06/02/2021	28,000	7	(4)	3	0
	Pay	28-Day MXN-TIIE	5.500%	09/02/2022	197,100	(354)	(762)	0	(1,116)
UAG	Pay	1-Year BRL-CDI	8.900%	01/02/2017	BRL 3,300	3	(94)	0	(91)
	Pay	28-Day MXN-TIIE	5.750%	09/02/2022	MXN 49,000	(5)	(207)	0	(212)
						$ (2,268)	$ 18	$ 2,763	$ (5,013)
Total Swap Agreements						**$ 5,116**	**$ (2,324)**	**$ 9,114**	**$ (6,322)**

FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER SUMMARY

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral (received)/pledged as of December 31, 2013:

(i) Securities with an aggregate market value of $20,598 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of December 31, 2013.

	Financial Derivative Assets				Financial Derivative Liabilities						
Counterparty	Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter	Net Market Value of OTC Derivatives	Collateral (Received)/ Pledged	Net Exposure [5]
BOA	$ 0	$0	$ 707	$ 707	$ 0	$ (106)	$ (554)	$ (660)	$ 47	$ 0	$ 47
BPS	353	0	0	353	(6,138)	(81)	(61)	(6,280)	(5,927)	6,552	625
BRC	1	0	2,534	2,535	(204)	(26)	(1,082)	(1,312)	1,223	(1,520)	(297)
CBK	204	0	293	497	(583)	(339)	(189)	(1,111)	(614)	1,196	582
DUB	2,001	0	1,627	3,628	(413)	(1,723)	(471)	(2,607)	1,021	(1,900)	(879)
FBF	26	0	248	274	(216)	0	0	(216)	58	0	58
GLM	0	0	84	84	(1,122)	(1,907)	(499)	(3,528)	(3,444)	3,546	102
GST	0	0	148	148	0	0	(47)	(47)	101	0	101
HUS	1,613	0	2,277	3,890	(50)	0	(1,406)	(1,456)	2,434	(2,600)	(166)
JPM	2	0	295	297	(2,561)	(21)	(124)	(2,706)	(2,409)	3,116	707
MSC	310	0	0	310	(94)	0	0	(94)	216	(1,120)	(904)
MYC	0	0	700	700	0	(1,556)	(1,461)	(3,017)	(2,317)	490	(1,827)
RYL	0	0	72	72	(2,980)	(18)	0	(2,998)	(2,926)	3,477	551
SOG	0	0	94	94	0	0	0	0	94	(140)	(46)
UAG	611	0	35	646	(608)	0	(428)	(1,036)	(390)	412	22
Total Over the Counter	**$5,121**	**$0**	**$9,114**	**$14,235**	**$(14,969)**	**$(5,777)**	**$(6,322)**	**$(27,068)**			

[5] Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from OTC financial derivative instruments can only be netted across transactions governed under the same master agreement with the same legal entity. See note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

FAIR VALUE OF FINANCIAL DERIVATIVE INSTRUMENTS

The following is a summary of the fair valuation of the Portfolio's derivative instruments categorized by risk [1] exposure:

Fair Values of Financial Derivative Instruments on the Statement of Assets and Liabilities as of December 31, 2013:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Financial Derivative Instruments - Assets						
Exchange-traded or centrally cleared						
Futures	$ 0	$ 0	$ 0	$ 0	$ 69	$ 69
Swap Agreements	0	0	0	0	8,790	8,790
	$ 0	$ 0	$ 0	$ 0	$ 8,859	$ 8,859
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 5,121	$ 0	$ 5,121
Swap Agreements	0	6,351	0	0	2,763	9,114
	$ 0	$ 6,351	$ 0	$ 5,121	$ 2,763	$ 14,235
	$ 0	$ 6,351	$ 0	$ 5,121	$ 11,622	$ 23,094
Financial Derivative Instruments - Liabilities						
Exchange-traded or centrally cleared						
Written Options	$ 0	$ 0	$ 0	$ 0	$ 432	$ 432
Futures	0	0	0	0	3,482	3,482
Swap Agreements	0	0	0	0	1,239	1,239
	$ 0	$ 0	$ 0	$ 0	$ 5,153	$ 5,153
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 14,969	$ 0	$ 14,969
Written Options	0	102	0	0	5,675	5,777
Swap Agreements	0	1,309	0	0	5,013	6,322
	$ 0	$ 1,411	$ 0	$ 14,969	$ 10,688	$ 27,068
	$ 0	$ 1,411	$ 0	$ 14,969	$ 15,841	$ 32,221

The Effect of Financial Derivative Instruments on the Statement of Operations for the Period Ended December 31, 2013:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Written Options	$ 0	$ 0	$ 0	$ 0	$ 388	$ 388
Futures	0	0	0	0	5,184	5,184
Swap Agreements	0	400	0	0	(19,883)	(19,483)
	$ 0	$ 400	$ 0	$ 0	$ (14,311)	$ (13,911)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 15,276	$ 0	$ 15,276
Written Options	0	285	0	1,518	13,655	15,458
Swap Agreements	0	19,688	0	0	6,946	26,634
	$ 0	$ 19,973	$ 0	$ 16,794	$ 20,601	$ 57,368
	$ 0	$ 20,373	$ 0	$ 16,794	$ 6,290	$ 43,457
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Written Options	$ 0	$ 0	$ 0	$ 0	$ (128)	$ (128)
Futures	0	0	0	0	(29,683)	(29,683)
Swap Agreements	0	2	0	0	67,235	67,237
	$ 0	$ 2	$ 0	$ 0	$ 37,424	$ 37,426
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 10,905	$ 0	$ 10,905
Written Options	0	27	0	0	(1,299)	(1,272)
Swap Agreements	0	(13,861)	0	0	(2,156)	(16,017)
	$ 0	$ (13,834)	$ 0	$ 10,905	$ (3,455)	$ (6,384)
	$ 0	$ (13,832)	$ 0	$ 10,905	$ 33,969	$ 31,042

[1] See Note 7, Principal Risks, in the Notes to Financial Statements on risks of the Portfolio.

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of December 31, 2013 in valuing the Portfolio's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2013
Investments in Securities, at Value				
Bank Loan Obligations	$ 0	$ 252	$ 0	$ 252
Corporate Bonds & Notes				
Banking & Finance	0	1,239,461	23,408	1,262,869
Industrials	0	169,445	0	169,445
Utilities	0	105,169	0	105,169
Municipal Bonds & Notes				
California	0	252,787	0	252,787
Colorado	0	3,868	0	3,868
Illinois	0	2,501	0	2,501
Iowa	0	725	0	725
Mississippi	0	2,467	0	2,467
Nebraska	0	6,872	0	6,872
Nevada	0	5,002	0	5,002
New Jersey	0	37,421	0	37,421
New York	0	49,585	0	49,585
Ohio	0	41,326	0	41,326
Texas	0	54,686	0	54,686
Washington	0	19,358	0	19,358
Wisconsin	0	3,502	0	3,502
U.S. Government Agencies	0	3,747,536	0	3,747,536
U.S. Treasury Obligations	0	3,800,895	0	3,800,895
Mortgage-Backed Securities	0	481,310	0	481,310
Asset-Backed Securities	0	222,117	0	222,117
Sovereign Issues	0	475,930	0	475,930
Preferred Securities				
Banking & Finance	13,370	0	8,773	22,143
Short-Term Instruments				
Certificates of Deposit	0	50,796	0	50,796
Commercial Paper	0	18,241	0	18,241
Repurchase Agreements	$ 0	$ 97,039	$ 0	$ 97,039
Italy Treasury Bills	$ 0	$ 255,003	$ 0	$ 255,003
Mexico Treasury Bills	0	15	0	15
Spain Treasury Bills	0	273	0	273
U.S. Treasury Bills	0	17,078	0	17,078
	$ 13,370	$ 11,160,660	$ 32,181	$ 11,206,211
Investments in Affiliates, at Value				
Short-Term Instruments				
Central Funds Used for Cash Management Purposes	$ 412,240	$ 0	$ 0	$ 412,240
Total Investments	$ 425,610	$ 11,160,660	$ 32,181	$ 11,618,451
Financial Derivative Instruments - Assets				
Exchange-traded or centrally cleared	$ 69	$ 8,790	$ 0	$ 8,859
Over the counter	0	14,235	0	14,235
	$ 69	$ 23,025	$ 0	$ 23,094
Financial Derivative Instruments - Liabilities				
Exchange-traded or centrally cleared	(3,914)	(1,239)	0	(5,153)
Over the counter	0	(26,986)	(82)	(27,068)
	$ (3,914)	$ (28,225)	$ (82)	$ (32,221)
Totals	$ 421,765	$ 11,155,460	$ 32,099	$ 11,609,324

There were no transfers between Level 1 and 2 during the period ended December 31, 2013.

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Portfolio during the period ended December 31, 2013:

Category and Subcategory	Beginning Balance at 12/31/2012	Net Purchases (1)	Net Sales (1)	Accrued Discounts/ (Premiums)	Realized Gain/(Loss)	Net Change in Unrealized Appreciation/ (Depreciation) (2)	Transfers into Level 3	Transfers out of Level 3	Ending Balance at 12/31/2013	Net Change in Unrealized Appreciation/ (Depreciation) on Investments Held at 12/31/2013 (2)
Investments in Securities, at Value										
Bank Loan Obligations	$ 4,507	$ 0	$ (4,581)	$ 6	$ 93	$ (25)	$ 0	$ 0	$ 0	$ 0
Corporate Bonds & Notes										
Banking & Finance	24,793	0	(260)	(49)	(3)	(1,073)	0	0	23,408	(1,062)
Mortgage-Backed Securities	13,060	0	(164)	0	20	(555)	0	(12,361)	0	0
Asset-Backed Securities	29,649	0	(25,129)	0	0	55	0	(4,575)	0	0
Preferred Securities										
Banking & Finance	9,097	0	0	0	0	(324)	0	0	8,773	(324)
	$ 81,106	$ 0	$ (30,134)	$ (43)	$ 110	$ (1,922)	$ 0	$ (16,936)	$ 32,181	$ (1,386)
Financial Derivative Instruments - Liabilities										
Over the counter	$ (166)	$ 0	$ 0	$ 0	$ 0	$ 84	$ 0	$ 0	$ (82)	$ 84
Totals	$ 80,940	$ 0	$ (30,134)	$ (43)	$ 110	$ (1,838)	$ 0	$ (16,936)	$ 32,099	$ (1,302)

See Accompanying Notes

The following is a summary of significant unobservable inputs used in the fair valuations of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Category and Subcategory	Ending Balance at 12/31/2013	Valuation Technique	Unobservable Inputs	Input Value(s) (% Unless Noted Otherwise)
Investments in Securities, at Value				
Corporate Bonds & Notes				
Banking & Finance	$ 7,654	Benchmark Pricing	Base Price	100.75
	15,754	Third Party Vendor	Broker Quote	98.20
Preferred Securities				
Banking & Finance	8,773	Benchmark Pricing	Base Price	$7,081.90
Financial Derivative Instruments - Liabilities				
Over the counter	(82)	Indicative Market Quotation	Broker Quote	0.08-0.11
Total	$ 32,099			

(1) Net Purchases and Sales for Financial Derivative Instruments may include payments made or received upon entering into swap agreements to compensate for differences between the stated terms of the swap agreement and prevailing market conditions.

(2) Any difference between Net Change in Unrealized Appreciation/(Depreciation) and Net Change in Unrealized Appreciation/(Depreciation) on Investments Held at December 31, 2013 may be due to an investment no longer held or categorized as level 3 at period end.

1. ORGANIZATION

The PIMCO Total Return Portfolio (the "Portfolio") is a series of the PIMCO Variable Insurance Trust (the "Trust"). The Trust is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company organized as a Delaware business trust on October 3, 1997. The Portfolio offers three classes of shares: Institutional, Administrative and Advisor. Information presented on these financial statements pertains to the Administrative Class of the Portfolio. Certain detailed financial information for the Institutional Class and Advisor Class is provided separately and is available upon request. The Trust is designed to be used as an investment vehicle by separate accounts of insurance companies that fund variable annuity contracts and variable life insurance policies and by qualified pension and retirement plans.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Portfolio in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

(a) Securities Transactions and Investment Income Securities transactions are recorded as of the trade date for financial reporting purposes. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled 15 days or more after the trade date. Realized gains and losses from securities sold are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Portfolio is informed of the ex-dividend date. Interest income, adjusted for the accretion of discounts and amortization of premiums, is recorded on the accrual basis from settlement date. For convertible securities, premiums attributable to the conversion feature are not amortized. Estimated tax liabilities on certain foreign securities are recorded on an accrual basis and are reflected as components of interest income or net change in unrealized gain/loss on investments on the Statement of Operations, as appropriate. Tax liabilities realized as a result of such security sales are reflected as a component of net realized gain/loss on investments on the Statement of Operations. Paydown gains and losses on mortgage-related and other asset-backed securities are recorded as components of interest income on the Statement of Operations. Income or short-term capital gain distributions received from underlying funds are recorded as dividend income. Long-term capital gain distributions received from underlying funds are recorded as realized gains.

Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is reasonably assured.

(b) Cash and Foreign Currency The functional and reporting currency for the Portfolio is the U.S. dollar. The market values of foreign securities, currency holdings and other assets and liabilities are translated into U.S. dollars based on the current exchange rates each business day. Purchases and sales of securities and income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. The Portfolio does not separately report the effects of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and net changes in unrealized gain or loss from investments on the Statement of Operations. The Portfolio may invest in foreign currency-denominated securities and may engage in foreign currency transactions either on a spot (cash) basis at the rate prevailing in the currency exchange market at the time or through a forward foreign currency contract (see financial derivative instruments). Realized foreign exchange gains or losses arising from sales of spot foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid and are included in net realized gain or loss on foreign currency transactions on the Statement of Operations. Net unrealized foreign exchange gains and losses arising from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period and are included in net change in unrealized appreciation or depreciation on translation of assets and liabilities denominated in foreign currencies on the Statement of Operations.

(c) Multiclass Operations Each class offered by the Portfolio has equal rights as to assets and voting privileges (except that shareholders of a class have exclusive voting rights regarding any matter relating solely to that class of shares). Income and non-class specific expenses are allocated daily to each class on the basis of relative value of settled shares. Realized and unrealized capital gains and losses are allocated daily based on the relative net assets of each class of the respective

Portfolio. Class specific expenses, where applicable, currently include supervisory and administrative and distribution and servicing fees.

(d) Dividends and Distributions to Shareholders Dividends from net investment income, if any, are declared daily and distributed to shareholders monthly. Net realized capital gains earned by the Portfolio, if any, will be distributed no less frequently than once each year.

Income dividends and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. GAAP. Differences between tax regulations and U.S. GAAP may cause timing differences between income and capital gain recognition. Examples of events that give rise to timing differences include wash sales, straddles and capital loss carryforwards. Further, the character of investment income and capital gains may be different for certain transactions under the two methods of accounting. Examples of characterization differences include the treatment of paydowns on mortgage-backed securities, swaps, foreign currency transactions and contingent debt instruments. As a result, income dividends and capital gain distributions declared during a fiscal period may differ significantly from the net investment income (loss) and realized gains (losses) reported on the Portfolio's annual financial statements presented under U.S. GAAP.

Distributions classified as a tax basis return of capital, if any, are reflected on the accompanying Statements of Changes in Net Assets and have been recorded to paid in capital. In addition, other amounts have been reclassified between undistributed net investment income, accumulated undistributed net realized gains or losses and/or paid in capital to more appropriately conform financial accounting to tax characterizations of dividend distributions.

(f) New Accounting Pronouncements In December 2011, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") to enhance disclosures about financial instruments and derivative instruments that are subject to offsetting ("netting") on the Statement of Assets and Liabilities. This information will enable users of the entity's financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. The ASU is effective prospectively during interim or annual periods beginning on or after January 1, 2013. The financial statements have been modified to provide enhanced quantitative and qualitative disclosures surrounding counterparty exposure and master netting arrangements. See the Notes to Schedule of Investments and the Principal Risks Note in the Notes to Financial Statements for additional details.

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

(a) Investment Valuation Policies The Net Asset Value ("NAV") of the Portfolio's shares is valued as of the close of regular trading (normally 4:00 p.m., Eastern time) (the "NYSE Close") on each day that the New York Stock Exchange ("NYSE") is open (each a "Business Day"). Information that becomes known to the Portfolio or its agents after the NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day.

For purposes of calculating the NAV, portfolio securities and other financial derivative instruments are valued on each Business Day using valuation methods as adopted by the Board of Trustees (the "Board") of the Trust. The Board has formed a Valuation Committee whose function is to monitor the valuation of portfolio securities and other financial derivative instruments and, as required by the Trust's valuation policies, determine in good faith the fair value of portfolio holdings after consideration of all relevant factors, including recommendations provided by the Adviser. The Board has delegated responsibility for applying the valuation methods to the investment adviser (the "Adviser"). The Adviser monitors the continual appropriateness of methods applied and determines if adjustments should be made in light of market factor changes and events affecting issuers.

Where market quotes are readily available, fair market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from a quotation reporting system, established market makers, or pricing services. Where market quotes are not readily available, portfolio securities and other financial derivative instruments are valued at fair value, as determined in good faith by the Board, its Valuation Committee, or Adviser pursuant to instructions from the Board or its Valuation Committee. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, or broker quotes), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of the Portfolio's securities or financial derivative instruments. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated to the Adviser, Pacific Investment Management Company LLC ("PIMCO"), the responsibility for monitoring significant events that may materially affect the values of the Portfolio's securities or financial derivative instruments and for determining whether the

value of the applicable securities or financial derivative instruments should be re-evaluated in light of such significant events.

The Board has adopted methods for valuing securities and other financial derivative instruments that may require fair valuation under particular circumstances. The Adviser monitors the continual appropriateness of fair valuation methods applied and determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Adviser determines that a fair valuation method may no longer be appropriate, another valuation method may be selected, or the Valuation Committee will take any appropriate action in accordance with procedures set forth by the Board. The Board reviews the appropriateness of the valuation methods from time to time and these methods may be amended or supplemented from time to time by the Valuation Committee.

For instances in which daily market quotes are not readily available, investments may be valued, pursuant to guidelines established by the Board, with reference to other securities or indices. In the event that the security or asset cannot be valued pursuant to the established guidelines, the value of the security or other financial derivative instrument will be determined in good faith by the Valuation Committee of the Board, generally based upon recommendations provided by PIMCO. These methods may require subjective determinations about the value of a security. While the Trust's policy is intended to result in a calculation of the Portfolio's NAV that fairly reflects security values as of the time of pricing, the Trust cannot guarantee that values determined by the Board or persons acting at their direction would accurately reflect the price that the Portfolio could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used by a Portfolio may differ from the value that would be realized if the securities were sold.

(b) Fair Value Hierarchy U.S. GAAP defines fair market value as the price that the Portfolio would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a fair value hierarchy that prioritizes inputs to valuation methods and requires disclosure of the fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Level 1, 2, and 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

- Level 1—Inputs using (unadjusted) quoted prices in active markets or exchanges for identical assets and liabilities.
- Level 2—Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.
- Level 3—Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board or persons acting at their direction that are used in determining the fair value of investments.

Assets or liabilities categorized as Level 2 or 3 as of period end have been transferred between Levels 2 and 3 since the prior period due to changes in the valuation method utilized in valuing the investments. Transfers from Level 3 to Level 2 are a result of the availability of current and reliable market-based data provided by third party pricing services or other valuation techniques which utilize significant observable inputs. In accordance with the requirements of U.S. GAAP, the amounts of transfers between Levels 1 and 2 and transfers in and out of Level 3, if any, are disclosed in the Notes to Schedule of Investments for the Portfolio.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to total realized and unrealized gains or losses, purchases and sales, and transfers in or out of the Level 3 category during the period. The end of period timing recognition is used for the transfers between Levels of the Portfolio's assets and liabilities. Additionally, U.S. GAAP requires quantitative information regarding the significant unobservable inputs used in the determination of fair value of assets or liabilities categorized as Level 3 in the fair value hierarchy. In accordance with the requirements of U.S. GAAP, a fair value hierarchy, Level 3 reconciliation, and details of significant unobservable inputs, if any, have been included in the Notes to Schedule of Investments for the Portfolio.

(c) Valuation Techniques and the Fair Value Hierarchy
Level 1 and Level 2 trading assets and trading liabilities, at fair market value The valuation methods (or "techniques") and significant inputs used in determining the fair market values of portfolio securities or financial derivative instruments categorized as Level 1 and Level 2 of the fair value hierarchy are as follows:

Fixed income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, sovereign issues, bank loans, convertible preferred securities and non-U.S. bonds are normally valued by pricing service providers that use broker-dealer quotations, reported trades or valuation estimates from

their internal pricing models. The service providers' internal models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Fixed income securities purchased on a delayed-delivery basis or as a repurchase commitment in a sale-buyback transaction are marked to market daily until settlement at the forward settlement date and are categorized as Level 2 of the fair value hierarchy.

Mortgage-related and asset-backed securities are usually issued as separate tranches, or classes, of securities within each deal. These securities are also normally valued by pricing service providers that use broker-dealer quotations or valuation estimates from their internal pricing models. The pricing models for these securities usually consider tranche-level attributes, current market data, estimated cash flows and market-based yield spreads for each tranche, and incorporate deal collateral performance, as available. Mortgage-related and asset-backed securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Common stocks, exchange-traded funds, exchange-traded notes and financial derivative instruments, such as futures contracts or options on futures that are traded on a national securities exchange, are stated at the last reported sale or settlement price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level 1 of the fair value hierarchy.

Investments initially valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from pricing service providers. As a result, the NAV of the Portfolio's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the NYSE is closed and the NAV may change on days when an investor is not able to purchase, redeem or exchange shares. Valuation adjustments may be applied to certain securities that are solely traded on a foreign exchange to account for the market movement between the close of the foreign market and the NYSE Close. These securities are valued using pricing service providers that consider the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments. Securities using these valuation adjustments are categorized as Level 2 of the fair value hierarchy. Preferred securities and other equities traded on inactive markets or valued by reference to similar instruments are also categorized as Level 2 of the fair value hierarchy.

Investments in registered open-end investment management companies will be valued based upon the NAVs of such investments and are categorized as Level 1 of the fair value hierarchy. Investments in unregistered open-end management investment companies will be calculated based upon the NAVs of such investments and are considered Level 1 provided that the NAVs are observable, calculated daily and are the value at which both purchases and sales will be conducted. Investments in privately held investment funds with significant restrictions on redemptions where the inputs of NAVs are observable will be valued based upon the NAVs of such investments and are categorized as Level 2 of the fair value hierarchy.

Short-term investments having a maturity of 60 days or less and repurchase agreements are generally valued at amortized cost which approximates fair market value. These investments are categorized as Level 2 of the fair value hierarchy.

Equity exchange-traded options and over-the-counter financial derivative instruments, such as foreign currency contracts, options contracts, or swap agreements, derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. These contracts are normally valued by independent pricing service providers. Depending on the product and the terms of the transaction, financial derivative instruments can be valued by a pricing service provider using a series of techniques, including simulation pricing models. The pricing models use inputs that are observed from actively quoted markets such as issuer details, indices, spreads, interest rates, yield curves, dividends and exchange rates. Financial derivative instruments that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Centrally cleared swaps listed or traded on a multilateral or trade facility platform, such as a registered exchange, are valued at the daily settlement price determined by the respective exchange. For centrally cleared credit default swaps the clearing facility requires its members to provide actionable price levels across complete term structures. These levels along with external third party prices are used to produce daily settlement prices. These securities are categorized as Level 2 of the fair value hierarchy. Centrally cleared interest rate swaps are valued using a pricing model that references the underlying rates including the overnight index swap rate and London Interbank Offered Rate ("LIBOR") forward rate to produce the daily settlement price. These securities are categorized as Level 2 of the fair value hierarchy.

Level 3 trading assets and trading liabilities, at fair value When a fair valuation method is applied by PIMCO that uses significant unobservable inputs, securities will be priced by a method that the Board or persons acting at their direction believe reflects fair value and

are categorized as Level 3 of the fair value hierarchy. The valuation techniques and significant inputs used in determining the fair values of portfolio assets and liabilities categorized as Level 3 of the fair value hierarchy are as follows:

Benchmark pricing procedures set the base price of a fixed income security and subsequently adjust the price proportionally to market value changes of a pre-determined security deemed to be comparable in duration, generally a U.S. Treasury or sovereign note based on country of issuance. The base price may be a broker-dealer quote, transaction price, or an internal value as derived by analysis of market data. The base price of the security may be reset on a periodic basis based on the availability of market data and procedures approved by the Valuation Committee. Significant changes in the unobservable inputs of the benchmark pricing process (the base price) would result in direct and proportional changes in the fair value of the security. These securities are categorized as Level 3 of the fair value hierarchy. The validity of the fair value is reviewed by PIMCO on a periodic basis and may be amended as the availability of market data indicates a material change.

If third party evaluated vendor pricing is neither available nor deemed to be indicative of fair value, the Adviser may elect to obtain indicative market quotations ("broker quotes") directly from the broker-dealer or passed through from a third party vendor. In the event that the source of fair value is from a single sourced broker quote, these securities are categorized as Level 3 of the fair value hierarchy. Broker quotes are typically received from established market participants. Although independently received, the Adviser does not have the transparency to view the underlying inputs which support the market quotation. Significant changes in the broker quote would have direct and proportional changes in the fair value of the security.

4. SECURITIES AND OTHER INVESTMENTS

(a) Investments in Securities

Inflation-Indexed Bonds The Portfolio may invest in inflation-indexed bonds. Inflation-indexed bonds are fixed income securities whose principal value is periodically adjusted to the rate of inflation. The interest rate on these bonds is generally fixed at issuance at a rate lower than typical bonds. Over the life of an inflation-indexed bond, however, interest will be paid based on a principal value which is adjusted for inflation. Any increase or decrease in the principal amount of an inflation-indexed bond will be included as interest income on the Statement of Operations, even though investors do not receive their principal until maturity.

Loan Participations and Assignments The Portfolio may invest in direct debt instruments which are interests in amounts owed to lenders or lending syndicates by corporate, governmental, or other borrowers. The Portfolio's investments in loans may be in the form of participations in loans or assignments of all or a portion of loans from third parties. A loan is often administered by a bank or other financial institution (the "lender") that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. The Portfolio may invest in multiple series or tranches of a loan, which may have varying terms and carry different associated risks. The Portfolio generally has no right to enforce compliance with the terms of the loan agreement with the borrower. As a result, the Portfolio may be subject to the credit risk of both the borrower and the lender that is selling the loan agreement. When the Portfolio purchases assignments from lenders it acquires direct rights against the borrower of the loan. These loans may include participations in "bridge loans", which are loans taken out by borrowers for a short period (typically less than one year) pending arrangement of more permanent financing through, for example, the issuance of bonds, frequently high yield bonds issued for the purpose of acquisitions. The Portfolio may also enter into unfunded loan commitments, which are contractual obligations for future funding.

Unfunded loan commitments may include revolving credit facilities, which may obligate the Portfolio to supply additional cash to the borrower on demand. Unfunded loan commitments represent a future obligation in full, even though a percentage of the notional loan amounts may not be utilized by the borrower. When investing in a loan participation, the Portfolio has the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the loan agreement and only upon receipt of payments by the lender from the borrower. The Portfolio may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a floating rate loan. In certain circumstances, the Portfolio may receive a penalty fee upon the prepayment of a floating rate loan by a borrower. Fees earned or paid are recorded as a component of interest income or interest expense, respectively, on the Statement of Operations. As of December 31, 2013, the Portfolio had no unfunded loan commitments.

Mortgage-Related and Other Asset-Backed Securities The Portfolio may invest in mortgage-related and other asset-backed securities. These securities include mortgage pass-through securities, collateralized mortgage obligations, commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. Mortgage-related and other asset-backed securities are interests in pools of loans or other receivables. Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed

securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans. These securities provide a monthly payment which consists of both interest and principal. Interest may be determined by fixed or adjustable rates. The rate of prepayments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase. The timely payment of principal and interest of certain mortgage-related securities is guaranteed with the full faith and credit of the U.S. Government. Pools created and guaranteed by non-governmental issuers, including government-sponsored corporations, may be supported by various forms of insurance or guarantees, but there can be no assurance that private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements.

Collateralized Mortgage Obligations ("CMOs") are debt obligations of a legal entity that are collateralized by mortgages and divided into classes. CMOs are structured into multiple classes, often referred to as "tranches," with each class bearing a different stated maturity and entitled to a different schedule for payments of principal and interest, including prepayments. Commercial Mortgage-Backed Securities ("CMBS") include securities that reflect an interest in, and are secured by, mortgage loans on commercial real property. Many of the risks of investing in CMBS reflect the risks of investing in the real estate securing the underlying mortgage loans. These risks reflect the effects of local and other economic conditions on real estate markets, the ability of tenants to make loan payments, and the ability of a property to attract and retain tenants. CMOs and CMBS may be less liquid and may exhibit greater price volatility than other types of mortgage-related or asset-backed securities.

Collateralized Debt Obligations ("CDOs") include Collateralized Bond Obligations ("CBOs"), Collateralized Loan Obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust which is backed by a diversified pool of high risk, below investment grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which the Portfolio invests. CDOs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments, (ii) the collateral may decline in value or default, (iii) the Portfolio may invest in CDOs that are subordinate to other classes, and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

U.S. Government Agencies or Government-Sponsored Enterprises The Portfolio may invest in securities of U.S. Government agencies or government-sponsored enterprises. U.S. Government securities are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the Government National Mortgage Association ("GNMA" or "Ginnie Mae"), are supported by the full faith and credit of the U.S. Government; others, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Department of the Treasury (the "U.S. Treasury"); others, such as those of the Federal National Mortgage Association ("FNMA" or "Fannie Mae"), are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations. U.S. Government securities may include zero coupon securities, which do not distribute interest on a current basis and tend to be subject to greater risk than interest-paying securities of similar maturities.

Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) include FNMA and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"). FNMA is a government-sponsored corporation. FNMA purchases conventional (i.e., not insured or guaranteed by any government agency) residential mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC issues Participation Certificates ("PCs"), which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government.

(b) Investments in Affiliates

The Portfolio may invest in the PIMCO Short-Term Floating NAV Portfolio and PIMCO Short-Term Floating NAV Portfolio III ("Central Funds") to the extent permitted by the Act and rules thereunder. The Central Funds are registered investment companies created for use solely by the series of the Trust and series of the PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, and other series of registered investment companies advised by PIMCO, in connection with their cash management activities. The main investments of the Central Funds are money market instruments and

short maturity fixed income instruments. The Central Funds may incur expenses related to their investment activities, but do not pay Investment Advisory or Supervisory and Administrative Fees to PIMCO. The Central Funds are considered to be affiliated with the Portfolio. The table below shows the Portfolio's transactions in and earnings from investments in the Central Funds for the period ended December 31, 2013 (amounts in thousands):

Investments in PIMCO Short-Term Floating NAV Portfolio

Market Value 12/31/2012	Purchases at Cost	Proceeds from Sales	Net Realized Gain/(Loss)	Change in Unrealized Appreciation/ (Depreciation)	Market Value 12/31/2013	Dividend Income	Net Capital Gain Distributions
$ 11	$ 200,706	$ (200,700)	$ 0	$ 0	$ 17	$ 6	$ 0

Investments in PIMCO Short-Term Floating NAV Portfolio III

Market Value 12/31/2012	Purchases at Cost	Proceeds from Sales	Net Realized Gain/(Loss)	Change in Unrealized Appreciation/ (Depreciation)	Market Value 12/31/2013	Dividend Income	Net Capital Gain Distributions
$ 140,220	$ 6,518,863	$ (6,246,501)	$ (98)	$ (261)	$ 412,223	$ 4,463	$ 0

5. BORROWINGS AND OTHER FINANCING TRANSACTIONS

The following disclosures contain information on the Portfolio's ability to lend or borrow cash or securities to the extent permitted under the Act, which may be viewed as borrowing or financing transactions by the Portfolio. The location and fair value amounts of these instruments are described below. For a detailed description of credit and counterparty risks that can be associated with borrowings and other financing transactions, please see Note 7, Principal Risks.

(a) Repurchase Agreements The Portfolio may engage in repurchase agreements. Under the terms of a typical repurchase agreement, the Portfolio takes possession of an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Portfolio to resell, the obligation at an agreed-upon price and time. The underlying securities for all repurchase agreements are held in safekeeping at the Portfolio's custodian or designated subcustodians under tri-party repurchase agreements. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Securities purchased under repurchase agreements are reflected as an asset on the Statement of Assets and Liabilities. Interest earned is recorded as a component of interest income on the Statement of Operations. In periods of increased demand for collateral, the Portfolio may pay a fee for receipt of collateral, which may result in interest expense to the Portfolio.

(b) Reverse Repurchase Agreements The Portfolio may enter into reverse repurchase agreements. In a reverse repurchase agreement, the Portfolio delivers a security in exchange for cash to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed upon price and date. The Portfolio is entitled to receive principal and interest payments, if any, made on the security delivered to the counterparty during the term of the agreement. Cash received in exchange for securities delivered plus accrued interest payments to be made by the Portfolio to counterparties are reflected as a liability on the Statement of Assets and Liabilities. Interest payments made by the Portfolio to counterparties are recorded as a component of interest expense on the Statement of Operations. In periods of increased demand for the security, the Portfolio may receive a fee for use of the security by the counterparty, which may result in interest income to the Portfolio. The Portfolio will segregate assets determined to be liquid by PIMCO or will otherwise cover its obligations under reverse repurchase agreements.

(c) Sale-Buybacks The Portfolio may enter into financing transactions referred to as 'sale-buybacks'. A sale-buyback transaction consists of a sale of a security by the Portfolio to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed-upon price and date. The Portfolio is not entitled to receive principal and interest payments, if any, made on the security sold to the counterparty during the term of the agreement. The agreed-upon proceeds for securities to be repurchased by the Portfolio are reflected as a liability on the Statement of Assets and Liabilities. The Portfolio will recognize net income represented by the price differential between the price received for the transferred security and the agreed-upon repurchase price. This is commonly referred to as the 'price drop'. A price drop consists of (i) the foregone interest and inflationary income adjustments, if any, the Portfolio would have otherwise received had the security not been sold and (ii) the negotiated financing terms between the Portfolio and counterparty. Foregone interest and inflationary income adjustments, if any, are recorded as components of interest income on the Statement of Operations. Interest payments based upon negotiated financing terms made by the Portfolio to counterparties are recorded as a component of interest expense on the Statement of Operations. In

periods of increased demand for the security, the Portfolio may receive a fee for use of the security by the counterparty, which may result in interest income to the Portfolio. The Portfolio will segregate assets determined to be liquid by PIMCO or will otherwise cover its obligations under sale-buyback transactions.

6. FINANCIAL DERIVATIVE INSTRUMENTS

The following disclosures contain information on how and why the Portfolio uses financial derivative instruments, the credit-risk-related contingent features in certain financial derivative instruments, and how financial derivative instruments affect the Portfolio's financial position, results of operations and cash flows. The location and fair value amounts of these instruments on the Statement of Assets and Liabilities and the realized and changes in unrealized gains and losses on the Statement of Operations, each categorized by type of financial derivative contract and related risk exposure, are included in a table in the Notes to Schedule of Investments. The financial derivative instruments outstanding as of period end and the amounts of realized and changes in unrealized gains and losses on financial derivative instruments during the period, as disclosed in the Notes to Schedule of Investments, serve as indicators of the volume of financial derivative activity for the Portfolio.

(a) Forward Foreign Currency Contracts The Portfolio may enter into forward foreign currency contracts in connection with settling planned purchases or sales of securities, to hedge the currency exposure associated with some or all of the Portfolio's securities or as a part of an investment strategy. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The market value of a forward foreign currency contract fluctuates with changes in foreign currency exchange rates. Forward foreign currency contracts are marked to market daily and the change in value is recorded by the Portfolio as an unrealized gain or loss. Realized gains or losses equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed are recorded upon delivery or receipt of the currency. These contracts may involve market risk in excess of the unrealized gain or loss reflected on the Statement of Assets and Liabilities. In addition, the Portfolio could be exposed to risk if the counterparties are unable to meet the terms of the contracts or if the value of the currency changes unfavorably to the U.S. dollar. In connection with these contracts, cash or securities may be identified as collateral in accordance with the terms of the respective contracts.

(b) Futures Contracts The Portfolio may enter into futures contracts. The Portfolio may use futures contracts to manage its exposure to the securities markets or to movements in interest rates and currency values. The primary risks associated with the use of futures contracts are the imperfect correlation between the change in market value of the securities held by the Portfolio and the prices of futures contracts and the possibility of an illiquid market. Futures contracts are valued based upon their quoted daily settlement prices. Upon entering into a futures contract, the Portfolio is required to deposit with its futures broker an amount of cash, U.S. Government and Agency Obligations, or select sovereign debt, in accordance with the initial margin requirements of the broker or exchange. Futures contracts are marked to market daily and an appropriate payable or receivable for the change in value ("variation margin") is recorded by the Portfolio. Gains or losses are recognized but not considered realized until the contracts expire or are closed. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed on the Statement of Assets and Liabilities.

(c) Options Contracts The Portfolio may write call and put options on securities and financial derivative instruments it owns or in which it may invest. Writing put options tends to increase the Portfolio's exposure to the underlying instrument. Writing call options tends to decrease the Portfolio's exposure to the underlying instrument. When the Portfolio writes a call or put, an amount equal to the premium received is recorded as a liability and subsequently marked to market to reflect the current value of the option written. These liabilities are reflected as written options outstanding on the Statement of Assets and Liabilities. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or closed are added to the proceeds or offset against amounts paid on the underlying futures, swap, security or currency transaction to determine the realized gain or loss. Certain options may be written with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The Portfolio as a writer of an option has no control over whether the underlying instrument may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the instrument underlying the written option. There is the risk the Portfolio may not be able to enter into a closing transaction because of an illiquid market.

The Portfolio may also purchase put and call options. Purchasing call options tends to increase the Portfolio's exposure to the underlying instrument. Purchasing put options tends to decrease the Portfolio's exposure to the underlying instrument. The Portfolio pays a premium which is included on the Portfolio's Statement of Assets and Liabilities as an investment and subsequently marked to market to reflect the current value of the option. Premiums paid for purchasing options which expire are treated as realized losses. Certain options may be purchased with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The risk associated with purchasing put

and call options is limited to the premium paid. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying investment transaction to determine the realized gain or loss when the underlying transaction is executed.

Inflation-Capped Options The Portfolio may write or purchase inflation-capped options to enhance returns or for hedging opportunities. When the Portfolio writes an inflation-capped option, an amount equal to the premium received is recorded as a liability and subsequently marked to market to reflect the current value of the option written. When the Portfolio purchases an inflation-capped option, the Portfolio pays a premium which is recorded as an asset and subsequently marked to market to reflect the current value of the option. The purpose of purchasing inflation-capped options is to protect the Portfolio from inflation erosion above a certain rate on a given notional exposure. A floor can be used to give downside protection to investments in inflation-linked products.

Options on Exchange-Traded Futures Contracts The Portfolio may write or purchase options on exchange-traded futures contracts ("Futures Option") to hedge an existing position or future investment, for speculative purposes or to manage exposure to market movements. A Futures Option is an option contract in which the underlying instrument is a single futures contract.

Interest Rate Swaptions The Portfolio may write or purchase interest rate swaption agreements which are options to enter into a pre-defined swap agreement by some specified date in the future. The writer of the swaption becomes the counterparty to the swap if the buyer exercises. The interest rate swaption agreement will specify whether the buyer of the swaption will be a fixed-rate receiver or a fixed-rate payer upon exercise.

(d) Swap Agreements The Portfolio may invest in swap agreements. Swap agreements are bilaterally negotiated agreements between the Portfolio and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market-linked returns at specified, future intervals. Swap agreements are privately negotiated in the over-the-counter market ("OTC swaps") or may be executed in a multilateral or other trade facility platform, such as a registered exchange ("centrally cleared swaps"). The Portfolio may enter into asset, credit default, cross-currency, interest rate, total return, variance and other forms of swap agreements to manage its exposure to credit, currency, interest rate, commodity, equity and inflation risk. In connection with these agreements, securities or cash may be identified as collateral or margin in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

Swaps are marked to market daily based upon values from third party vendors, which may include a registered exchange, or quotations from market makers to the extent available. In the event that market quotes are not readily available and the swap cannot be valued pursuant to one of the valuation methods, the value of the swap will be determined in good faith by the Valuation Committee of the Board of Trustees, generally based upon recommendations provided by PIMCO. Changes in market value, if any, are reflected as a component of net changes in unrealized appreciation/(depreciation) on the Statement of Operations. Daily changes in valuation of centrally cleared swaps, if any, are recorded as a receivable or payable for the change in value as appropriate ("variation margin") on the Statement of Assets and Liabilities. OTC swap payments received or made at the beginning of the measurement period are reflected as such on the Statement of Assets and Liabilities and represent premiums paid or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). These upfront premiums are recorded as realized gains or losses on the Statement of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss on the Statement of Operations. Net periodic payments received or paid by the Portfolio are included as part of realized gains or losses on the Statement of Operations.

Entering into these agreements involves, to varying degrees, elements of interest, credit, market and documentation risk in excess of the amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates.

The Portfolio's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life, to the extent that amount is positive. The risk is mitigated by having a master netting arrangement between the Portfolio and the counterparty and by the posting of collateral to the Portfolio to cover the Portfolio's exposure to the counterparty.

Credit Default Swap Agreements Credit default swap agreements involve one party making a stream of payments (referred to as the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other credit event for the referenced entity, obligation or

index. As a seller of protection on credit default swap agreements, the Portfolio will generally receive from the buyer of protection a fixed rate of income throughout the term of the swap provided that there is no credit event. As the seller, the Portfolio would effectively add leverage to its portfolio because, in addition to its total net assets, the Portfolio would be subject to investment exposure on the notional amount of the swap.

If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Recovery values are estimated by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is determined by a facilitated auction whereby a minimum number of allowable broker bids, together with a specified valuation method, are used to calculate the settlement value.

Credit default swap agreements on corporate, sovereign or U.S. Treasury obligation issues involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default or other credit event. If a credit event occurs and cash settlement is not elected, a variety of other deliverable obligations may be delivered in lieu of the specific referenced obligation. The ability to deliver other obligations may result in a cheapest-to-deliver option (the buyer of protection's right to choose the deliverable obligation with the lowest value following a credit event). The Portfolio may use credit default swaps on corporate, sovereign or U.S. Treasury obligation issues to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where the Portfolio owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer's default.

Credit default swap agreements on credit indices involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising the credit index. A credit index is a basket of credit instruments or exposures designed to be representative of some part of the credit market as a whole. These indices are made up of reference credits that are judged by a poll of dealers to be the most liquid entities in the credit default swap market based on the sector of the index. Components of the indices may include, but are not limited to, investment grade securities, high yield securities, asset-backed securities, emerging markets, and/or various credit ratings within each sector. Credit indices are traded using credit default swaps with standardized terms including a fixed spread and standard maturity dates. An index credit default swap references all the names in the index, and if there is a default, the credit event is settled based on that name's weight in the index. The composition of the indices changes periodically, usually every six months, and for most indices, each name has an equal weight in the index. The Portfolio may use credit default swaps on credit indices to hedge a portfolio of credit default swaps or bonds, which is less expensive than it would be to buy many credit default swaps to achieve a similar effect. Credit default swaps on indices are instruments for protecting investors owning bonds against default, and traders use them to speculate on changes in credit quality.

Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate, sovereign or U.S. Treasury obligation issues as of period end are disclosed in the Notes to Schedule of Investments. They serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values serve as the indicator of the current status of the payment/performance risk. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

The maximum potential amount of future payments (undiscounted) that the Portfolio as a seller of protection could be required to make under a credit default swap agreement equals the notional amount of the

agreement. Notional amounts of each individual credit default swap agreement outstanding as of December 31, 2013 for which the Portfolio is the seller of protection are disclosed in the Notes to Schedule of Investments. These potential amounts would be partially offset by any recovery values of the respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by the Portfolio for the same referenced entity or entities.

Interest Rate Swap Agreements The Portfolio is subject to interest rate risk exposure in the normal course of pursuing its investment objectives. Because the Portfolio holds fixed rate bonds, the value of these bonds may decrease if interest rates rise. To help hedge against this risk and to maintain its ability to generate income at prevailing market rates, the Portfolio may enter into interest rate swap agreements. Interest rate swap agreements involve the exchange by the Portfolio with another party for their respective commitment to pay or receive interest on the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap", (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or "floor", (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the counterparty may terminate the swap transaction in whole at zero cost at a predetermined date and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swaps, under which two parties can exchange variable interest rates based on different segments of money markets.

7. PRINCIPAL RISKS

In the normal course of business the Portfolio trades financial instruments and enters into financial transactions where risk of potential loss exists due to such things as changes in the market (market risk) or failure or inability of the other party to a transaction to perform (credit and counterparty risk). See below for a detailed description of select principal risks. For a more comprehensive list of potential risks the Portfolio may be subject to, please see the Important Information About the Portfolio.

Market Risks The Portfolio's investments in financial derivatives and other financial instruments expose the Portfolio to various risks such as, but not limited to, interest rate, foreign currency, equity and commodity risks.

Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by the Portfolio is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Interest rate changes can be sudden and unpredictable, and the Portfolio may lose money if these changes are not anticipated by Fund management. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Duration is useful primarily as a measure of the sensitivity of a fixed income's market price to interest rate (i.e. yield) movements. As mentioned earlier in this report, the U.S. is currently experiencing historically low interest rates. This combined with recent economic recovery and the Federal Reserve Board's tapering of its quantitative easing program could potentially increase the probability of an upward interest rate environment in the near future. Further, while U.S. bond markets have steadily grown over the past three decades, dealer "market making" ability has remained relatively stagnant. Given the importance of intermediary "market making" in creating a robust and active market, the fixed income securities are currently facing increased volatility and liquidity risks. All of these factors, collectively and/or individually, could cause the Portfolio to lose value. If the Portfolio lost enough value, the Portfolio could face increased redemptions by shareholders, which could further impair the performance of the Portfolio.

If the Portfolio invests directly in foreign currencies or in securities that trade in, and receive revenues in, foreign currencies, or in financial derivatives that provide exposure to foreign currencies, it will be subject to the risk that those currencies will decline in value relative to the base currency of the Portfolio, or, in the case of hedging positions, that the Portfolio's base currency will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, the Portfolio's investments in foreign currency denominated securities may reduce the returns of the Portfolio.

The market values of equities, such as common stocks and preferred securities or equity related investments such as futures and options, may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect

a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities and equity related investments generally have greater market price volatility than fixed income securities.

Credit and Counterparty Risks The Portfolio will be exposed to credit risk to parties with whom it trades and will also bear the risk of settlement default. The Portfolio minimizes concentrations of credit risk by undertaking transactions with a large number of customers and counterparties on recognized and reputable exchanges. The Portfolio could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a financial derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

Similar to credit risk, the Portfolio may be exposed to counterparty risk, or the risk that an institution or other entity with which the Portfolio has unsettled or open transactions will default. Financial assets, which potentially expose the Portfolio to counterparty risk, consist principally of cash due from counterparties and investments. PIMCO, as the investment adviser, minimizes counterparty risks to the Portfolio by performing extensive reviews of each counterparty and obtaining approval from the PIMCO Counterparty Risk Committee prior to entering into transactions with a third party. Furthermore, to the extent that unpaid amounts owed to the Portfolio exceed a predetermined threshold agreed to with the counterparty, such counterparty shall advance collateral to the Portfolio in the form of cash or cash equivalents equal in value to the unpaid amount owed to the Portfolio. The Portfolio may invest such collateral in securities or other instruments and will typically pay interest to the counterparty on the collateral received. If the unpaid amount owed to the Portfolio subsequently decreases, the Portfolio would be required to return to the counterparty all or a portion of the collateral previously advanced to the Portfolio.

All transactions in listed securities are settled/paid for upon delivery using approved counterparties. The risk of default is considered minimal, as delivery of securities sold is only made once the Portfolio has received payment. Payment is made on a purchase once the securities have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

Master Netting Arrangements The Portfolio is subject to various netting arrangements with select counterparties ("Master Agreements"). Master Agreements govern the terms of certain transactions, and reduce the counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that improves legal certainty. Since different types of transactions have different mechanics and are sometimes traded out of different legal entities of a particular counterparty organization, each type of transaction may be covered by a different Master Agreement, resulting in the need for multiple agreements with a single counterparty. As the Master Agreements are specific to unique operations of different asset types, they allow the Portfolio to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single agreement with a counterparty.

Master Agreements can also help limit counterparty risk by specifying collateral posting arrangements at pre-arranged exposure levels. Under the Master Agreements, collateral is routinely transferred if the total net exposure to certain transactions (net of existing collateral already in place) governed under the relevant Master Agreement with a counterparty in a given account exceeds a specified threshold, which typically ranges from zero to $250,000 depending on the counterparty and the type of Master Agreement. United States Treasury Bills and U.S. dollar cash are generally the preferred forms of collateral, although other forms of AAA rated paper or sovereign securities may be used. Securities and cash pledged as collateral are reflected as assets in the Statement of Assets and Liabilities as either a component of Investments at value (securities) or Deposits due from Counterparties (cash). Cash collateral received is not typically held in a segregated account and as such is reflected as a liability in the Statement of Assets and Liabilities as Deposits due to Counterparties. The market value of any securities received as collateral is not reflected as a component of net asset value. The Portfolio's overall exposure to counterparty risk can change substantially within a short period, as it is affected by each transaction subject to the relevant Master Agreement.

Master Repurchase Agreements and Global Master Repurchase Agreements (individually and collectively "Master Repo Agreements") govern repurchase, reverse repurchase, and sale-buyback transactions between the Portfolio and select counterparties. Master Repo Agreements maintain provisions for, among other things, initiation, income payments, events of default, and maintenance of collateral. The market value of transactions under the Master Repo Agreement, collateral pledged or received, and the net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

Master Securities Forward Transaction Agreements ("Master Forward Agreements") govern the considerations and factors surrounding the settlement of certain forward settling transactions, such as To-Be-Announced securities, delayed-delivery or sale-buyback transactions by and between the Portfolio and select counterparties. The Master Forward Agreements maintain provisions for, among other things, initiation and confirmation, payment and transfer, events of default, termination, and maintenance of collateral. The market value of

forward settling transactions, collateral pledged or received, and the net exposure by counterparty as of period end is disclosed in the Notes to Schedule of Investments.

Customer Account Agreements and related addendums govern cleared derivatives transactions such as futures, options on futures, and cleared OTC derivatives. Cleared derivative transactions require posting of initial margin as determined by each relevant clearing agency which is segregated at a broker account registered with the Commodities Futures Trading Commission (CFTC), or the applicable regulator. In the US, counterparty risk is significantly reduced as creditors of the futures broker do not have claim to Portfolio assets in the segregated account. Additionally, portability of exposure in the event of default further reduces risk to the Portfolios. Variation margin, or changes in market value, are exchanged daily, but may not be netted between futures and cleared OTC derivatives. The market value or accumulated unrealized appreciation or depreciation, initial margin posted, and any unsettled variation margin as of period end is disclosed in the Notes to Schedule of Investments.

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes ("ISDA Master Agreements") govern OTC financial derivative transactions entered into by the Portfolio and select counterparties. ISDA Master Agreements maintain provisions for general obligations, representations, agreements, collateral and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to terminate early could be material to the financial statements. In limited circumstances, the ISDA Master Agreement may contain additional provisions that add additional counterparty protection beyond coverage of existing daily exposure if the counterparty has a decline in credit quality below a predefined level. These amounts, if any, may be segregated with a third party custodian. The market value of OTC financial derivative instruments, collateral received or pledged, and net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

8. FEES AND EXPENSES

(a) Investment Advisory Fee PIMCO is a majority-owned subsidiary of Allianz Asset Management of America L.P. ("Allianz Asset Management") and serves as the Adviser to the Trust, pursuant to an investment advisory contract. The Adviser receives a monthly fee from the Portfolio at an annual rate based on average daily net assets (the "Investment Advisory Fee"). The Investment Advisory Fee for all classes is charged at an annual rate of 0.25%.

(b) Supervisory and Administrative Fee PIMCO serves as administrator (the "Administrator") and provides supervisory and administrative services to the Trust for which it receives a monthly supervisory and administrative fee based on each share class's average daily net assets (the "Supervisory and Administrative Fee"). As the Administrator, PIMCO bears the costs of various third-party services, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Supervisory and Administrative Fee for all classes is charged at the annual rate of 0.25%.

(c) Distribution and Servicing Fees PIMCO Investments LLC ("PI"), a wholly-owned subsidiary of PIMCO, serves as the distributor ("Distributor") of the Trust's shares. The Trust has adopted an Administrative Services Plan with respect to the Administrative Class shares of the Portfolio pursuant to Rule 12b-1 under the Act (the "Administrative Plan"). Under the terms of the Administrative Plan, the Trust is permitted to compensate the Distributor, out of the Administrative Class assets of the Portfolio, in an amount up to 0.15% on an annual basis of the average daily net assets of that class, for providing or procuring through financial intermediaries administrative, recordkeeping and investor services for Administrative Class shareholders of the Portfolio.

The Trust has adopted a separate Distribution and Servicing Plan for the Advisor Class shares of the Portfolio (the "Distribution and Servicing Plan"). The Distribution and Servicing Plan has been adopted pursuant to Rule 12b-1 under the Act. The Distribution and Servicing Plan permits the Portfolio to compensate the Distributor for providing or procuring through financial intermediaries distribution, administrative, recordkeeping, shareholder and/or related services with respect to Advisor Class shares. The Distribution and Servicing Plan permits the Portfolio to make total payments at an annual rate of up to 0.25% of its average daily net assets attributable to its Advisor Class shares.

(d) Portfolio Expenses The Trust is responsible for the following expenses: (i) salaries and other compensation of any of the Trust's executive officers and employees who are not officers, directors, stockholders or employees of PIMCO or its subsidiaries or affiliates; (ii) taxes and governmental fees; (iii) brokerage fees and commissions and other portfolio transaction expenses; (iv) the costs of borrowing money, including interest expense and bank overdraft charges; (v) fees and expenses of the Trustees who are not "interested persons" of PIMCO or the Trust, and any counsel retained exclusively for their benefit; (vi) extraordinary expense, including costs of litigation and indemnification expenses; (vii) organization expenses and (viii) any expenses allocated or allocable to a specific class of shares, which include service fees payable with respect to the Administrative Class Shares, and may include certain other expenses as permitted by the Trust's Multi-Class Plan adopted pursuant to Rule 18f-3 under the Act

and subject to review and approval by the Trustees. The ratio of expenses to average net assets per share class, as disclosed on the Financial Highlights, may differ from the annual portfolio operating expenses per share class as disclosed in the Prospectus for the reasons set forth above.

Each Trustee, other than those affiliated with PIMCO or its affiliates, will receive an annual retainer of $35,000, plus $3,600 for each Board of Trustees meeting attended in person, $750 for each committee meeting attended and $750 for each Board of Trustees meeting attended telephonically, plus reimbursement of related expenses. In addition, the audit committee chair will receive an additional annual retainer of $5,000 and each other committee chair will receive an additional annual retainer of $1,500.

These expenses are allocated on a pro-rata basis to the various portfolios of the Trust according to their respective net assets except PIMCO All Asset Portfolio, which does not bear any Trustee Fees. The Trust pays no compensation directly to any Trustee or any other officer who is affiliated with the Administrator, all of whom receive remuneration for their services to the Trust from the Administrator or its affiliates.

9. RELATED PARTY TRANSACTIONS

The Adviser, Administrator, and Distributor are related parties. Fees payable to these parties are disclosed in Note 8 and the accrued related party fee amounts are disclosed on the Statement of Assets and Liabilities.

The Portfolio is permitted to purchase or sell securities from or to certain related affiliated portfolios under specified conditions outlined in procedures adopted by the Board of Trustees of the Trust. The procedures have been designed to ensure that any purchase or sale of securities by the Portfolio from or to another portfolio that are, or could be, considered an affiliate by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 of the Act. Further, as defined under the procedures, each transaction is effected at the current market price. During the period ended December 31, 2013, the Portfolio engaged in purchases and sales of securities pursuant to Rule 17a-7 of the Act (amounts in thousands):

Purchases	Sales
$ 590,670	$ 964,674

10. GUARANTEES AND INDEMNIFICATIONS

Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust (including the Trust's investment manager) is indemnified, to the extent permitted by the Act, against certain liabilities that may arise out of performance of their duties to the Portfolio. Additionally, in the normal course of business, the Portfolio enters into contracts that contain a variety of indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet occurred. However, the Portfolio has not had prior claims or losses pursuant to these contracts.

11. PURCHASES AND SALES OF SECURITIES

The length of time the Portfolio has held a particular security is not generally a consideration in investment decisions. A change in the securities held by the Portfolio is known as "portfolio turnover". The Portfolio may engage in frequent and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover involves correspondingly greater expenses to the Portfolio, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are generally taxed at ordinary income tax rates). The trading costs and tax effects associated with portfolio turnover may adversely affect the Portfolio's performance. The portfolio turnover rates are reported in the Financial Highlights.

Purchases and sales of securities (excluding short-term investments) for the period ended December 31, 2013, were as follows (amounts in thousands):

U.S. Government/Agency		All Other	
Purchases	Sales	Purchases	Sales
$ 32,288,192	$ 31,362,797	$ 1,167,319	$ 2,660,491

12. SHARES OF BENEFICIAL INTEREST

The Portfolio may issue an unlimited number of shares of beneficial interest with a $0.001 par value. Changes in shares of beneficial interest were as follows (shares and amounts in thousands):

	Year Ended 12/31/2013		Year Ended 12/31/2012	
	Shares	Amount	Shares	Amount
Receipts for shares sold				
Institutional Class	4,809	$ 54,787	23,935	$ 275,353
Administrative Class	104,111	1,180,306	182,735	2,088,313
Advisor Class	61,815	701,151	72,115	826,623
Issued as reinvestment of distributions				
Institutional Class	1,073	12,090	1,534	17,696
Administrative Class	22,323	250,661	32,983	379,680
Advisor Class	5,632	63,114	6,105	70,363
Cost of shares redeemed				
Institutional Class	(22,315)	(246,293)	(5,007)	(57,174)
Administrative Class	(176,233)	(1,984,315)	(163,368)	(1,876,021)
Advisor Class	(24,664)	(277,921)	(18,362)	(211,120)
Net increase (decrease) resulting from Portfolio share transactions	(23,449)	$ (246,420)	132,670	$ 1,513,713

As of December 31, 2013, two shareholders each owned 10% or more of the total Portfolio's outstanding shares comprising 28% of the Portfolio. One shareholder is a related party to the portfolio and comprises 13% of the Portfolio. Related parties may include, but are not limited to, the investment manager and its affiliates, affiliated broker dealers, fund of funds and directors or employees of the Trust or Adviser.

13. REGULATORY AND LITIGATION MATTERS

The Trust is not engaged in any material litigation or arbitration proceedings and is not aware of any material litigation or claim pending or threatened by or against it.

14. FEDERAL INCOME TAX MATTERS

The Portfolio intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (the "Code") and distribute all of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for Federal income taxes has been made.

In accordance with provisions set forth under U.S. GAAP, the Investment Adviser has reviewed the Portfolio's tax positions for all open tax years. As of December 31, 2013, the Portfolio has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

The Portfolio files U.S. tax returns. While the statute of limitations remains open to examine the Portfolio's U.S. tax returns filed for the fiscal years ending in 2010-2012, no examinations are in progress or anticipated at this time. The Portfolio is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

Shares of the Portfolio currently are sold to segregated asset accounts ("Separate Accounts") of insurance companies that fund variable annuity contracts and variable life insurance policies ("Variable Contracts"). Please refer to the prospectus for the Separate Account and Variable Contract for information regarding Federal income tax treatment of distributions to the Separate Account.

As of December 31, 2013, the components of distributable taxable earnings are as follows (amounts in thousands):

Undistributed Ordinary Income	Undistributed Long-Term Capital Gains	Net Tax Basis Unrealized Appreciation/ (Depreciation) (1)	Other Book-to-Tax Accounting Differences (2)	Accumulated Capital Losses (3)	Qualified Late-Year Loss Deferral - Capital (4)	Qualified Late-Year Loss Deferral - Ordinary (5)
$ 196,449	$ —	$ 139,094	$ (13,037)	$ (152,993)	$ —	$ —

(1) Adjusted for open wash sale loss deferrals and the accelerated recognition of unrealized gain or loss on certain futures, options and forward contracts for federal income tax purposes. Also adjusted for differences between book and tax realized and unrealized gain (loss) on swap contracts, treasury inflation-protected securities (TIPS), and sale/buyback transactions.

(2) Represents differences in income tax regulations and financial accounting principles generally accepted in the United States of America, namely for straddle loss deferrals at fiscal year-end.

(3) Capital losses available to offset future net capital gains expire in varying amounts in the years shown below.
(4) Capital losses realized during the period November 1, 2013 through December 31, 2013 which the Portfolio elected to defer to the following taxable year pursuant to income tax regulations.
(5) Specified losses realized during the period November 1, 2013 through December 31, 2013, which the Portfolio elected to defer to the following taxable year pursuant to income tax regulations.

As of December 31, 2013, the Portfolio had accumulated capital losses expiring in the following years (amounts in thousands). The Portfolio will resume capital gain distributions in the future to the extent gains are realized in excess of accumulated capital losses.

Expiration of Accumulated Capital Losses					
12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
$ —	$ —	$ —	$ —	$ —	$ —

Under the recently enacted Regulated Investment Company Act of 2010, a Portfolio is permitted to carry forward any new capital losses for an unlimited period. Additionally, such capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term under previous law.

As of December 31, 2013, the Portfolio had the following post-effective capital losses with no expiration:

Short-Term	Long-Term
$ 152,993	$ —

As of December 31, 2013, the aggregate cost and the net unrealized appreciation/(depreciation) of investments for federal income tax purposes are as follows (amounts in thousands):

Federal Tax Cost	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation) (6)
$ 11,552,759	$ 200,856	$ (135,164)	$ 65,692

(6) Primary differences, if any, between book and tax net unrealized appreciation/(depreciation) on investments are attributable to open wash sale loss deferrals.

For the fiscal years ended December 31, 2013 and December 31, 2012, respectively, the Portfolio made the following tax basis distributions (amounts in thousands):

Fiscal Year Ended	Ordinary Income Distributions (7)	Long-Term Capital Gain Distributions	Return of Capital (8)
12/31/2013	$ 280,799	$ 45,067	$ —
12/31/2012	$ 461,948	$ 5,791	$ —

(7) Includes short-term capital gains, if any, distributed.
(8) A portion of the distributions made represents a tax return of capital. Return of capital distributions have been reclassified from undistributed net investment income to paid-in capital to more appropriately conform to financial accounting to tax accounting.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of PIMCO Variable Insurance Trust and
Administrative Class Shareholders of PIMCO Total Return Portfolio:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights for the Administrative Class present fairly, in all material respects, the financial position of the PIMCO Total Return Portfolio (one of the portfolios constituting PIMCO Variable Insurance Trust, hereinafter referred to as the "Portfolio") at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for the Administrative Class for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Portfolio's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Kansas City, Missouri
February 20, 2014

Glossary: (abbreviations that may be used in the preceding statements)

(Unaudited)

Counterparty Abbreviations:

BCY	Barclays Capital, Inc.	**FOB**	Credit Suisse Securities (USA) LLC	**MSC**	Morgan Stanley & Co., Inc.
BOA	Bank of America N.A.	**GLM**	Goldman Sachs Bank USA	**MYC**	Morgan Stanley Capital Services, Inc.
BPS	BNP Paribas S.A.	**GRE**	RBS Securities, Inc.	**RYL**	Royal Bank of Scotland Group PLC
BRC	Barclays Bank PLC	**GSC**	Goldman Sachs & Co.	**SAL**	Citigroup Global Markets, Inc.
CBK	Citibank N.A.	**GST**	Goldman Sachs International	**SOG**	Societe Generale
DEU	Deutsche Bank Securities, Inc.	**HUS**	HSBC Bank USA N.A.	**SSB**	State Street Bank and Trust Co.
DUB	Deutsche Bank AG	**JPM**	JPMorgan Chase Bank N.A.	**UAG**	UBS AG Stamford
FBF	Credit Suisse International	**JPS**	JPMorgan Securities, Inc.	**WFS**	Wells Fargo Securities, LLC

Currency Abbreviations:

BRL	Brazilian Real	**GBP**	British Pound	**MXN**	Mexican Peso
CAD	Canadian Dollar	**JPY**	Japanese Yen	**USD (or $)**	United States Dollar
EUR	Euro				

Exchange Abbreviations:

CME	Chicago Mercantile Exchange	**OTC**	Over-the-Counter

Index Abbreviations:

CDX.EM	Credit Derivatives Index - Emerging Markets	**CMBX**	Commercial Mortgage-Backed Index	**CPURNSA**	Consumer Price All Urban Non-Seasonally Adjusted Index
CDX.IG	Credit Derivatives Index - Investment Grade				

Municipal Bond or Agency Abbreviations:

AGM	Assured Guaranty Municipal	**GTD**	Guaranteed	**PSF**	Public School Fund

Other Abbreviations:

ABS	Asset-Backed Security	**CDO**	Collateralized Debt Obligation	**LIBOR**	London Interbank Offered Rate
ALT	Alternate Loan Trust	**CLO**	Collateralized Loan Obligation	**OIS**	Overnight Index Swap
BABs	Build America Bonds	**EURIBOR**	Euro Interbank Offered Rate	**TIIE**	Tasa de Interés Interbancaria de Equilibrio
CDI	Brazil Interbank Deposit Rate	**FSB**	Federal Savings Bank		

Federal Income Tax Information

(Unaudited)

As required by the Internal Revenue Code ("Code") and Treasury Regulations, if applicable, shareholders must be notified within 60 days of the Portfolio's fiscal year end regarding the status of qualified dividend income and the dividend received deduction.

Qualified Dividend Income. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act"), the following percentage of ordinary dividends paid during the calendar year was designated as "qualified dividend income", as defined in the Act, subject to reduced tax rates in 2013:

0.00%

Dividend Received Deduction. Corporate shareholders are generally entitled to take the dividend received deduction on the portion of a Portfolio's dividend distribution that qualifies under tax law. The percentage of the following Portfolio's calendar year ordinary income dividend that qualifies for the corporate dividend received deduction is set forth below:

0.00%

Shareholders are advised to consult their own tax advisor with respect to the tax consequences of their investment in the Trust. However, income received by tax-exempt recipients need not be reported as taxable income.

Management of the Trust

(Unaudited)

The chart below identifies the Trustees and Officers of the Trust. Each "interested" Trustee as defined by the 1940 Act, is indicated by an asterisk (*). Unless otherwise indicated, the address of all persons below is 840 Newport Center Drive, Newport Beach, CA 92660.

The Portfolio's Statement of Additional Information includes more information about the Trustees and Officers. To request a free copy, call PIMCO at (888) 87-PIMCO or visit the Portfolio's website at http://pvit.pimco-funds.com.

Name, Year of Birth and Position Held with Trust	Term of Office** and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Interested Trustees				
Brent R. Harris* (1959) *Chairman of the Board and Trustee*	08/1997 to Present	Managing Director and member of Executive Committee, PIMCO.	172	Chairman and Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT; Director, StocksPLUS® Management, Inc.; Director, Applied Natural Gas Fuels, Inc. and member of Board of Governors, Investment Company Institute. Board Member and Owner, Harris Holdings, LLC (1992-present); Director, Applied Natural Gas Fuels, Inc. (2012-present).
Douglas M. Hodge* (1957) *Trustee*	02/2010 to Present	Managing Director; Chief Executive Officer, PIMCO. Formerly, Chief Operating Officer. Member of Executive Committee and Head of PIMCO's Asia Pacific region. Member Global Executive Committee, Allianz Asset Management.	164	Trustee, PIMCO Funds and PIMCO ETF Trust.
Independent Trustees				
E. Philip Cannon (1940) *Trustee*	05/2000 to Present	Private Investor. Formerly, President, Houston Zoo.	172	Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, Trustee Allianz Funds (formerly, PIMCO Funds: Multi-Manager Series).
Vern O. Curtis (1934) *Trustee*	08/1997 to Present	Private Investor.	164	Trustee, PIMCO Funds and PIMCO ETF Trust.
J. Michael Hagan (1939) *Trustee*	05/2000 to Present	Private Investor and Business Advisor (primarily to manufacturing companies).	164	Trustee, PIMCO Funds and PIMCO ETF Trust.
Ronald C. Parker (1951) *Trustee*	07/2009 to Present	Director of Roseburg Forest Products Company. Formerly Chairman of the Board, The Ford Family Foundation. Formerly President, Chief Executive Officer, Hampton Affiliates (forestry products)	164	Trustee, PIMCO Funds and PIMCO ETF Trust.
William J. Popejoy (1938) *Trustee*	08/1997 to Present	Private Investor.	164	Trustee, PIMCO Funds and PIMCO ETF Trust.

* Mr. Harris and Mr. Hodge are "interested persons" of the Trust (as that term is defined in the 1940 Act) because of their affiliation with PIMCO.
** Trustees serve until their successors are duly elected and qualified

Executive Officers

Name, Year of Birth and Position Held with Trust	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years
Brent R. Harris (1959) *President*	03/2009 to Present	Managing Director and member of Executive Committee, PIMCO.
David C. Flattum (1964) *Chief Legal Officer*	11/2006 to Present	Managing Director and General Counsel, PIMCO. Formerly, Managing Director, Chief Operating Officer and General Counsel, Allianz Asset Management of America L.P. and Partner at Latham & Watkins LLP.
Jennifer E. Durham (1970) *Chief Compliance Officer*	07/2004 to Present	Managing Director, PIMCO.
William H. Gross (1944) *Senior Vice President*	08/1997 to Present	Managing Director and Co-Chief Investment Officer, PIMCO.
Mohamed El-Erian* (1958) *Senior Vice President*	05/2008 to Present	Managing Director, Co-Chief Investment Officer and Co-Chief Executive Officer, PIMCO. Formerly, President and CEO of Harvard Management Company.
Douglas M. Hodge (1957) *Senior Vice President*	05/2010 to Present	Managing Director; Chief Executive Officer, PIMCO. Formerly, Chief Operating Officer. Member of Executive Committee and Head of PIMCO's Asia Pacific region. Member Global Executive Committee, Allianz Asset Management.
Peter G. Strelow (1970) *Senior Vice President*	11/2013 to Present Vice President 05/2008 to 11/2013	Managing Director, PIMCO.
William G. Galipeau (1974) *Vice President*	11/2013 to Present	Senior Vice President, PIMCO.
John P. Hardaway (1957) *Vice President*	11/2013 to Present Treasurer 08/1997 to 11/2013	Executive Vice President, PIMCO.
Eric D. Johnson (1970) *Vice President*	05/2011 to Present	Executive Vice President, PIMCO.
Henrik P. Larsen (1970) *Vice President*	02/1999 to Present	Senior Vice President, PIMCO.
Greggory S. Wolf (1970) *Vice President*	05/2011 to Present	Senior Vice President, PIMCO.
Kevin M. Broadwater (1964) *Vice President - Senior Counsel*	05/2012 to Present	Executive Vice President and Attorney, PIMCO.
Joshua D. Ratner (1976) *Vice President - Senior Counsel, Secretary*	11/2013 to Present Assistant Secretary 10/2007 to 01/2011	Senior Vice President and Attorney, PIMCO.
Ryan G. Leshaw (1980) *Assistant Secretary*	05/2012 to Present	Vice President and Attorney, PIMCO. Formerly, Associate, Willkie Farr & Gallagher LLP.
Trent W. Walker (1974) *Treasurer*	11/2013 to Present Assistant Treasurer 05/2007 to 11/2013	Senior Vice President, PIMCO.
Stacie D. Anctil (1969) *Assistant Treasurer*	11/2003 to Present	Senior Vice President, PIMCO.
Erik C. Brown (1967) *Assistant Treasurer*	02/2001 to Present	Senior Vice President, PIMCO.

* Effective February 3, 2014, Dr. El-Erian no longer serves as a Senior Vice President of the Trust.

Privacy Policy

(Unaudited)

The Trust[1] considers customer privacy to be a fundamental aspect of its relationships with shareholders and is committed to maintaining the confidentiality, integrity and security of its current, prospective and former shareholders' personal information. The Trust has developed policies that are designed to protect this confidentiality, while allowing shareholder needs to be served.

Obtaining Personal Information

In the course of providing shareholders with products and services, the Trust and certain service providers to the Trust, such as the Trust's investment adviser ("Adviser"), may obtain non-public personal information about shareholders, which may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from shareholder transactions, from a shareholder's brokerage or financial advisory firm, financial advisor or consultant, and/or from information captured on the Trust's internet websites.

Respecting Your Privacy

As a matter of policy, the Trust does not disclose any personal or account information provided by shareholders or gathered by the Trust to non-affiliated third parties, except as required or permitted by law or as necessary for such third parties to perform their agreements with respect to the Trust. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, conducting research on shareholder satisfaction and gathering shareholder proxies. The Trust's distributor may also retain non-affiliated companies to market the Trust's shares or products which use the Trust's shares and enter into joint marketing arrangements with them and other companies. These companies may have access to a shareholder's personal and account information, but are permitted to use this information solely to provide the specific service or as otherwise permitted by law. In most cases, the shareholders will be clients of a third party, but the Trust may also provide a shareholder's personal and account information to the shareholder's respective brokerage or financial advisory firm and/or financial advisor or consultant.

Sharing Information with Third Parties

The Trust reserves the right to disclose or report personal information to non-affiliated third parties in limited circumstances where the Trust believes in good faith that disclosure is required under law, to cooperate with regulators or law enforcement authorities, to protect its rights or property, or upon reasonable request by any Trust in which a shareholder has invested. In addition, the Trust may disclose information about a shareholder's accounts to a non-affiliated third party at the shareholder's request or with the consent of the shareholder.

Sharing Information with Affiliates

The Trust may share shareholder information with its affiliates in connection with servicing shareholders' accounts, and subject to applicable law may provide shareholders with information about products and services that the Trust or its Adviser, distributors or their affiliates ("Service Affiliates") believe may be of interest to such shareholders. The information that the Trust may share may include, for example, a shareholder's participation in the Trust or in other investment programs sponsored by a Service Affiliate, a shareholder's ownership of certain types of accounts (such as IRAs), information about the Trust's experiences or transactions with a shareholder, information captured on the Trust's internet website, or other data about a shareholder's accounts, subject to applicable law. The Trust's Service Affiliates, in turn, are not permitted to share shareholder information with non-affiliated entities, except as required or permitted by law.

Procedures to Safeguard Private Information

The Trust takes seriously the obligation to safeguard shareholder non-public personal information. In addition to this policy, the Trust has implemented procedures that are designed to restrict access to a shareholder's non-public personal information to internal personnel who need to know that information to perform their jobs, such as servicing shareholder accounts or notifying shareholders of new products or services. Physical, electronic and procedural safeguards are in place to guard a shareholder's non-public personal information.

[1] When distributing this Policy, the Trust may combine the distribution with any similar distribution of its investment adviser's privacy policy. The distributed, combined, policy may be written in the first person (i.e. by using "we" instead of "the Trust").

On August 12-13, 2013, the Board of Trustees (the "Board") of PIMCO Variable Insurance Trust (the "Trust"), including all of the independent Trustees, approved the Trust's Amended and Restated Investment Advisory Contract with Pacific Investment Management Company LLC ("PIMCO"), on behalf of each of the Trust's portfolios (the "Portfolios"), for an additional one-year term through August 31, 2014. The Board also considered and approved for an additional one-year term through August 31, 2014, the Supervision and Administration Agreement (together with the Amended and Restated Investment Advisory Contract, the "Agreements") with PIMCO, on behalf of the Portfolios. The Board also considered and approved the renewal of the Asset Allocation Sub-Advisory Agreement (the "Asset Allocation Agreement") with Research Affiliates, LLC ("RALLC"), on behalf of the PIMCO All Asset Portfolio and PIMCO All Asset All Authority Portfolio, each a series of the Trust, for an additional one-year term through August 31, 2014.

The information, material factors and conclusions that formed the basis for the Board's approvals of the Agreements and the Asset Allocation Agreement are described below.

1. INFORMATION RECEIVED

(a) Materials Reviewed: During the course of each year, the Trustees receive a wide variety of materials relating to the services provided by PIMCO and RALLC. At each of its quarterly meetings, the Board reviews the Portfolios' investment performance and a significant amount of information relating to Portfolio operations, including the Portfolios' compliance program, shareholder services, valuation, custody, distribution, and other information relating to the nature, extent and quality of services provided by PIMCO and RALLC to the Trust. In considering whether to approve the renewal of the Agreements and Asset Allocation Agreement, the Board also reviewed supplementary information, including, but not limited to, comparative industry data with regard to investment performance, advisory and supervisory and administrative fees and expenses, financial and profitability information regarding PIMCO and RALLC, information about the personnel providing investment management services and supervisory and administrative services to the Portfolios, and, if available, information about the fees charged and services provided by PIMCO to other clients with similar investment mandates as the Portfolios. The Board also reviewed material provided by counsel to the Trust and the independent Trustees, which included, among other things, a memorandum outlining legal duties of the Board in considering the continuation of the Agreements.

(b) Review Process: In connection with the approval of the renewal of the Agreements and the Asset Allocation Agreement, the Board reviewed written materials prepared by PIMCO and RALLC in response to requests from counsel to the Trust and the independent Trustees. The Board also requested and received assistance and advice regarding applicable legal standards from counsel to the Trust and the independent Trustees, and reviewed comparative fee and performance data prepared at the Board's request by Lipper, Inc. ("Lipper"), an independent provider of investment company performance and fee and expense data. The Board also heard oral presentations on matters related to the Agreements and Asset Allocation Agreement and met both as a full Board and as the independent Trustees, without management present, at the August 12-13, 2013 meeting. The independent Trustees also met with counsel to the Trust and the independent Trustees on August 2, 2013 to discuss the materials presented. In addition, the independent Trustees requested and received from PIMCO additional information including, but not limited to, information related to Portfolio profitability and comparative performance information.

The approval determinations were made on the basis of each Trustee's business judgment after consideration of all the information presented. Individual Trustees may have given different weights to certain factors and assigned various degrees of materiality to information received in connection with the approval process. In deciding to recommend renewal of the Agreements and Asset Allocation Agreement, the Board did not identify any single factor or particular information that, in isolation, was controlling. This summary describes the most important, but not all, of the factors considered by the Board.

2. NATURE, EXTENT AND QUALITY OF SERVICES

(a) PIMCO, RALLC, their Personnel, and Resources: The Board considered the depth and quality of PIMCO's investment management process, including: the experience, capability and integrity of its senior management and other personnel; the low turnover rates of its key personnel; the overall financial strength and stability of its organization; and the ability of its organizational structure to address the recent growth in assets under management. The Board also considered that PIMCO makes available to its investment professionals a variety of resources and systems relating to investment management, compliance, trading, performance and portfolio accounting. The Board noted PIMCO's commitment to investing in information technology supporting investment management and compliance, as well as PIMCO's continuing efforts to attract and retain qualified personnel and to maintain and enhance its resources and systems. The Board considered PIMCO's policies, procedures and systems to assure compliance with applicable laws and regulations and its commitment to these programs; its efforts to keep the Trustees informed about matters relevant to the Portfolios and their shareholders; and its attention to matters that may involve conflicts of interest with the Trusts. The Board also considered PIMCO's continuous investment in new disciplines and talented personnel, which has allowed PIMCO to introduce innovative new funds over time.

The Trustees considered the steps that PIMCO has taken in recent years with respect to active management of counterparty risk, such as implementing procedures requiring daily collateral adjustments and frequent communication between credit analysts and the counterparty risk committee. The Trustees considered that, over the last several years, PIMCO has continued to strengthen the process it uses to assess the financial stability of broker-dealers with which the Portfolios do business, to manage collateral and to protect portfolios from an unforeseen deterioration in the creditworthiness of trading counterparties. The Trustees noted that, consistent with its fiduciary duty, PIMCO executes transactions through a competitive best execution process and uses only the counterparties that meet its stringent and monitored criteria. The Trustees also considered that PIMCO's collateral management team utilizes the counterparty risk system to analyze portfolio level exposure and collateral being exchanged with counterparties.

The Trustees also considered new services and service enhancements that PIMCO has implemented since the Agreements were last renewed in 2012, including, but not limited to, undertaking significant technology and outsourcing initiatives, expanding the quality management system for processes/activities, implementing a new relationship management model with key intermediaries, transitioning to a proprietary platform for shareholder cash flow reporting, continuing to refine the "Pricing Portal" to streamline and automate certain pricing functions, continuing to migrate shareholder confirmation and statement creation and mailing to Broadridge Investor Connection Solutions, Inc., streamlining processes to enable earlier daily net asset value delivery to major intermediary clients and to enhance transparency in the pricing process, working with PricewaterhouseCoopers LLP to analyze the impact of the Foreign Account Tax Compliance Act, and engaging in extensive preparation and testing of business continuity capabilities to respond quickly in the event of a crisis.

Similarly, the Board considered the asset-allocation services provided by RALLC to the PIMCO All Asset Portfolio. The Board noted that the PIMCO All Asset All Authority Portfolio had not commenced offering shares as of June 30, 2013. The Board considered the depth and quality of RALLC's investment management and research capabilities, the experience and capabilities of its portfolio management personnel, and in particular the experience and capabilities of Robert Arnott, RALLC's principal, and the overall financial strength of the organization.

Ultimately, the Board concluded that the nature, extent and quality of services proposed to be provided by PIMCO under the Agreements and by RALLC under the Asset Allocation Agreement are likely to benefit the Portfolios and their shareholders.

(b) Other Services: The Board considered PIMCO's policies, procedures and systems to assure compliance with applicable laws and regulations and its commitment to these programs; its efforts to keep the Trustees informed about matters relevant to each Portfolio and its shareholders; and its attention to matters that may involve conflicts of interest. The Board also considered the nature, extent, quality and cost of supervisory and administrative services provided by PIMCO to the Portfolios under the Supervision and Administration Agreement. The Board noted that the Supervision and Administration Agreement was approved at the August 2008 Board meeting to replace the Trust's previous Administration Agreement. The purpose of the change was to reflect the increased scope and complexity of supervisory and administrative services that PIMCO had been providing to the Trust. The Board considered the terms of the Trust's Supervision and Administration Agreement, under which the Trust pays for the supervisory and administrative services it requires under what is essentially an all-in fee structure (the "unified fee"). In return, PIMCO provides or procures supervisory and administrative services and bears the costs of various third party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Board noted that the scope and complexity of the supervisory and administrative services provided by PIMCO under the Supervision and Administration Agreement continue to increase. The Board considered PIMCO's provision of these services and supervision of the Trust's third party service providers to assure that these service providers continue to provide a high level of service relative to alternatives in the market.

Ultimately, the Board concluded that the nature, extent and quality of the services provided by PIMCO has benefited and will likely continue to benefit the Portfolios and their shareholders.

3. INVESTMENT PERFORMANCE

The Board received and examined information from PIMCO concerning the Portfolios' year-to-date, one-, three-, five-, seven- and ten-year performance, as available, for the periods ended May 31, 2013 and other performance data, as available, for the periods ended June 30, 2013 (the "PIMCO Report") and from Lipper concerning the Portfolios' one-, three-, five-, ten-, and fifteen-year performance, as available, for the periods ended May 31, 2013 (the "Lipper Report").

The Board considered information regarding both the short-term and long-term investment performance of each Portfolio relative to its peer group and relevant benchmark index as provided to the Board in advance of each of its quarterly meetings throughout the year, including the PIMCO Report and Lipper Report, which were provided in advance of the August 12-13, 2013 meeting. The Trustees noted that the assets of the Portfolios continued to grow and that a majority of the Portfolios outperformed the Lipper medians over the three-year and longer periods ended May 31, 2013.

The Board noted that, for periods ending May 31, 2013, the Administrative Class of 71%, 92% and 100% of the Portfolios outperformed their Lipper category median in the three-year, five-year and ten-year periods, respectively. The Trustees considered that other classes of each Portfolio would have substantially similar performance to that of the Administrative Class of the relevant Portfolio on a relative basis because all of the classes are invested in the same portfolio of securities and that differences in performance among classes could principally be attributed to differences in the distribution and servicing expenses of each class. The Board also considered that the investment objectives of certain of the Portfolios may not always be identical to those of the other funds in their respective peer groups, that the Lipper categories do not separate funds based upon maturity or duration, do not account for the Portfolios' hedging strategies, do not distinguish between enhanced index and actively managed equity strategies, do not include as many subsets as the Portfolios offer (*i.e.*, Portfolios may be placed in a "catch-all" Lipper category to which they do not properly belong) and do not account for certain fee waivers. The Board noted that, due to these differences, performance comparisons between certain of the Portfolios and their so-called peers may be inexact.

The Board noted that 86% or more of the assets of the Trust had outperformed their respective benchmarks on a net-of-fees basis over the three-year, five-year and ten-year periods ending May 31, 2013 (based on the performance of the Administrative Class). The Board also noted that ten of 13 Portfolios, representing 93% of the total assets of the Trust, had outperformed their respective benchmark indexes over the five-year period ending May 31, 2013, on a net-of-fees basis. The Board also noted that, while the Lipper universe comparisons provide a valuable performance comparison reference, there are several Portfolios that do not fit well into their respective Lipper classifications. The Board also discussed actions that have been taken by PIMCO to attempt to improve performance and took note of PIMCO's plans to monitor performance going forward, as applicable. The Board also considered that the Trust has experienced an increase in net assets, with assets managed within the Trust exceeding $23 billion as of May 31, 2013.

The Board considered PIMCO's discussion of the intensive nature of managing bond funds, noting that it requires the consideration of a number of factors, including: varying maturities, prepayments, collateral management, counter-party management, pay-downs, credit events, workouts, derivatives and net new issuance in the bond market. The Board noted that in addition to managing these factors, PIMCO must also balance risk controls and strategic positions in each portfolio it manages. Despite these challenges, the Board noted that PIMCO has generated "alpha" (*i.e.*, non-market correlated excess performance) for its clients, including the Trust.

The Board ultimately determined, within the context of all of its considerations in connection with the Agreements, that the Trust's overall investment performance was strong, and concluded that PIMCO's performance record and process in managing the Portfolios indicates that its continued management is likely to benefit the Portfolios and their shareholders, and merits the approval of the continuation of the Agreements.

4. ADVISORY FEES, SUPERVISORY AND ADMINISTRATIVE FEES AND TOTAL EXPENSES

The Board considered that PIMCO seeks to price funds with total expense ratios at or below the respective Lipper median, while providing premium or innovative investment offerings. PIMCO reported to the Board that, in proposing fees for any Portfolio or class of shares, it considers a number of factors, including the type and complexity of the services provided, the cost of providing services, the risk assumed by PIMCO in the provision of services, the impact on potential returns from different levels of fees, the competitive marketplace for financial products, and the attractiveness of potential Portfolio returns to current and potential investors. Fees charged to or proposed for different Portfolios for advisory services and supervisory and administrative services may vary in light of these various factors. The Board also considered that PIMCO reviews the Portfolios' fee levels and carefully considers reductions where appropriate. Further, the Board noted that PIMCO believes that the growth in the Trusts' assets under management and longer-term net inflows provide evidence of proper and effective pricing.

The Board reviewed the advisory fees, supervisory and administrative fees and total expenses of the Portfolios (each as a percentage of average net assets) and compared such amounts with the average and median fee and expense levels of other similar funds. With respect to advisory fees, the Board reviewed data from Lipper that compared the average and median advisory fees of other funds in an "Expense Group" of comparable funds, as well as the universe of other similar funds. The Board noted that most Portfolios have total expense ratios that fall below the median expense ratios in their Lipper universe.

The Board also reviewed data comparing the Portfolios' advisory fees to the standard fee rate PIMCO charges to separate accounts and other investment companies with a similar investment strategy, and found them to be comparable. The Trustees noted that the advisory fees for the Portfolios were equal to or lower than PIMCO standard separate account fee rates in nine out of 14 strategies. In cases where the fees for other clients were lower than those charged to the Portfolios, the Trustees noted that the differences in fees were attributable to various factors, including differences in the services provided by PIMCO to the Portfolios, the size of the assets under management with PIMCO, the manner in which similar portfolios may be managed, different requirements with

respect to liquidity management and the implementation of other regulatory requirements, and the fact that separate accounts may have other contractual arrangements that justify different levels of fees.

The Board also considered the Portfolios' supervisory and administrative fees, comparing them to similar funds in the report supplied by Lipper. The Board considered that as the Portfolios' business has become increasingly complex and the number of Portfolios has grown, PIMCO has provided an increasingly broad array of fund supervisory and administrative functions. The Board considered the Trust's unified fee structure, under which each Portfolio pays for the supervisory and administrative services it requires for one set fee, and in return, PIMCO provides or procures supervisory and administrative services and bears the costs of various third party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Board considered that many other funds pay for these services separately, and thus it is difficult to directly compare the Portfolios' unified supervisory and administrative fees with the fees paid by other funds for administrative services alone. The Board considered that the unified supervisory and administrative fee leads to fund fees that are fixed, rather than variable. The Board concluded that the Portfolios' supervisory and administrative fees were reasonable in relation to the value of the services provided, including the services provided to different classes of shareholders, and that the expenses assumed contractually by PIMCO under the Supervision and Administration Agreement represent, in effect, a cap on overall fund expenses which is beneficial to the Portfolios and their shareholders.

The Board considered the Portfolios' total expenses and discussed those Portfolios and/or classes of Portfolios that have above median expenses. The Board noted that several Portfolios launched in recent years have been unique products that have few, if any peers, and cannot easily be grouped with comparable funds. Moreover, the Board considered that, in some instances, PIMCO believes the Lipper categories offer imperfect comparisons because they are overly broad or do not account for the impact of certain fee waivers. Upon comparing the Portfolios' total expenses to other funds in the Expense Groups provided by Lipper, the Board found the Portfolios' total expenses to be reasonable.

The Trustees also considered the advisory fees charged to the Portfolios that operate as funds of funds (the "Funds of Funds") and the advisory services provided in exchange for such fees. The Trustees determined that such services were in addition to the advisory services provided to the underlying series in which the Funds of Funds may invest and, therefore, such services were not duplicative of the advisory services provided to the underlying series. The Board also considered the various fee waiver agreements in place for the Funds of Funds.

The Board noted that, with few exceptions, PIMCO has maintained Portfolio fees at the same guaranteed level as implemented when the unified fee was adopted, and has reduced fees for a number of Portfolios in prior years. The Board further noted that, although the unified fee structure does not have breakpoints, it implicitly reflects economies of scale by fixing the absolute level of Portfolio fees at competitive levels even if the Portfolios' operating costs rise when assets remain flat or decrease.

Based on the information presented by PIMCO, RALLC and Lipper, members of the Board then determined, in the exercise of their business judgment, that the level of the advisory fees and supervisory and administrative fees charged by PIMCO under the Agreements, as well as the total expenses of the Portfolios, are reasonable and renewal of the Agreements and the Asset Allocation Agreements will likely benefit the Portfolios and their shareholders.

5. ADVISER COSTS, LEVEL OF PROFITS AND ECONOMIES OF SCALE

The Board reviewed information regarding PIMCO's costs of providing services to the Portfolios as a whole, as well as the resulting level of profits to PIMCO, noting that those results were slightly lower than the previous year, and within the ranges, but above the median of publicly held investment management companies reported by Lipper and Strategic Insight. The Board noted that it had also received information regarding the structure and manner in which PIMCO's investment professionals were compensated, and PIMCO's view of the relationship of such compensation to the attraction and retention of quality personnel. The Board considered PIMCO's need to invest in technology, infrastructure and staff to reinforce and offer new services and to accommodate changing regulatory requirements.

With respect to potential economies of scale, the Board found that because the unified fee protects shareholders against unanticipated increases in expense ratios due to redemptions, declines in asset values, or increases in the costs of services provided or procured by PIMCO, economies of scale are implicitly recognized in the level of the unified fee (which, together with the advisory fee, serves as a proxy for each Portfolio's overall expense ratio). The Board noted that PIMCO may share the benefits of economies of scale with the Portfolios and their shareholders in a number of ways, including through fee reductions or waivers, the pricing of Portfolios to scale from inception and the enhancement of services provided to the Portfolios in return for fees paid. The Trustees also considered that the unified fee has provided inherent economies of scale by maintaining fixed fees even if a particular Portfolio's operating costs rise. The Board reviewed the history of the Portfolios' fee structure, noting that the unified supervisory and administrative services fee was an extension of the initial "expense guarantee" under which PIMCO had agreed to

maintain the expense ratio of each Portfolio at specified levels for a period of time to make the Portfolios attractive to an institutional shareholder base. The Board noted that additional Portfolios and share classes have been launched on that institutional platform, which has meant that, overall, the Portfolios have traditionally had lower fees than many competitors. The Board noted that, in general, fee rates for the Portfolios had been set competitively; had been reduced for some Portfolios over time; had been held steady for most Portfolios as assets grew, or declined in the case of some Portfolios; and continued to be competitive compared with peers. The Trustees noted that the absence of breakpoints in the Portfolios' advisory fees has not harmed shareholders, noting in particular that breakpoints are a proxy for charging higher fees on lower asset levels and that when funds lose assets breakpoints may reverse, which causes expense ratios to increase. The Trustees noted that the benefits of the unified fee were apparent during the recent financial crisis, as the total expense ratios of certain funds in other fund complexes that do not have a unified fee increased due to decreases in fund assets.

The Board concluded that the Portfolios' cost structures were reasonable and that the unified fee structure inherently involves the sharing of economies of scale between PIMCO and the Portfolios, to the benefit of Portfolio shareholders.

6. ANCILLARY BENEFITS

The Board considered other benefits received by PIMCO and its affiliates as a result of PIMCO's relationship with the Trust, including possible ancillary benefits to PIMCO's institutional investment management business due to the reputation and market penetration of the Portfolios. The Board also considered that affiliates of PIMCO provide distribution and shareholder services to the Portfolios and their shareholders, for which they may be compensated under the unified fee, or through distribution fees paid pursuant to the Portfolios' Rule 12b-1 plans. The Board reviewed PIMCO's soft dollar policies and procedures, noting that while PIMCO has the authority to receive the benefit of research provided by broker-dealers executing portfolio transactions on behalf of the Portfolios, it has adopted a policy not to enter into contractual soft dollar arrangements.

7. CONCLUSIONS

Based on its review, including its consideration of each of the factors referred to above, the Board concluded that the nature, extent and quality of the services rendered to the Portfolios by PIMCO and RALLC supported the renewal of the Agreements and the Asset Allocation Agreement. The Board concluded that the Agreements and the Asset Allocation Agreement continued to be fair and reasonable to the Portfolios and their shareholders, that the Portfolios' shareholders received reasonable value in return for the fees paid to PIMCO by the Portfolios under the Agreements and in return for the fees paid to RALLC by PIMCO under the Asset Allocation Agreement, and that the renewal of the Agreements and the Asset Allocation Agreement was in the best interests of the Portfolios and their shareholders.

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This report is submitted for the general information of the shareholders of the PIMCO Variable Insurance Trust.

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PIMCO

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